FINANCIAL TIMES

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No. 30,095 Thursday November 27 1986 D 8523 B

Paris students revive unrest, Page 2

World news | Business summary

Manila ceasefire deal with rebels

The Philippines Government and Communist rebels are to sign an agreement today for a 60-day ceasefire in the country's 17-year civil war.

The ceasefire is to take effect on December 10 and negotiations for a more enduring peace are to begin within 30 days of the signing. The details have not yet been announced.

Coming at the end of months of on-and-off bargaining, the deal will be seen, if it holds, as a major achievement for President Corazon Aquino, who pushed on despite strong disapproval from factions in the military. Page 5

Spy ruling today

An Australian judge will decide today whether to examine documents the British Government wants kept secret in its argument against publication of the memoirs of a former MI5 officer. UK angers judge, Page 20

EEC 'spending gap'

EEC budget ministers were accused by members of the European Parliament of leaving a spending gap of about $3bn in their plans for 1986 and 1987 by failing to take account of increased costs and falling revenues. Page 3

Jordanians jailed

Two Jordanians were jailed in West Berlin for a bomb attack. The court upheld accusations that the bomb was of Syrian origin, leaving Bonn with a difficult decision over its relations with Damascus. Page 3

Soviet doctors' pay

Salaries of Soviet doctors and other medical staff, many of whom earn less than manual workers, are to go up by an average of 30 per cent this month.

Red Cross to stay

South Africa reversed its expulsion order against Red Cross officials operating in its territory. Foreign Minister Pik Botha said the president of the International Committee of the Red Cross had told Pretoria he disagreed with South Africa's suspension from a recent conference.

Swiss dioxin fear

Swiss authorities said tiny quantities of highly toxic dioxin may have been released in a fire at a Basle warehouse owned by the Sandoz chemical firm on November 1.

Demjanjuk denial

John Demjanjuk, 66, looking pale and ill, shouted to a packed Jerusalem court at the beginning of his trial for alleged war crimes at the Nazi death camp of Treblinka: "I am not the man... I am not Ivan the Terrible." Page 5

Bahrain causeway

Leaders of Saudi Arabia and Bahrain opened a $1bn causeway linking the two countries. It was described by King Fahd of Saudi Arabia as a "miracle of the 20th century." Page 5

Bokassa's defence

Former Central African Emperor Jean-Bedel Bokassa, on trial in Bangui for murder and embezzlement, said former French President Valery Giscard d'Estaing had made up crimes against him to justify the overthrow of his regime.

Dutch rescue fails

Two Dutch tugs, hampered by huge waves, failed to dislodge the grounded Hong Kong freighter Kowloon Bridge, lying astride rocks off Ireland's south coast. They will try again today.

New lira delayed

Italy's new lira, worth 1,000 times the existing currency, is unlikely to be introduced in January as hoped, Treasury officials said in Rome.

HK bank expands Canadian operations

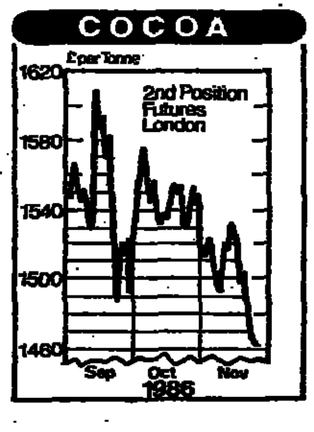
HONGKONG & Shanghai Banking is to acquire almost all the assets and liabilities of the troubled Vancouver-based Bank of British Columbia.

EUROPEAN Commission is to propose new rules for banks and other lending institutions in the EEC, setting common limits for their debt exposure to big borrowers, and calling on central banks to police their operations across Community frontiers. Page 20

SCOTT Lithgow, the oil rig construction and shipbuilding yard on the Lower Clyde, is to reduce its workforce by more than two-thirds to a core of 700. Page 7

ELECTROLUX, Swedish domestic appliance maker, reported a 5 per cent increase in profits after financial items for the first nine months at SKr 1.81bn ($264m) against SKr 1.73bn in the year-ago period. Page 21

COCOA



COCOA futures prices in London continued their gradual decline with nearby positions close to three-month lows. The March position dipped to £1,456 a tonne before rallying to close £2 down at £1,461.50. Page 32

LONDON: Good gains by blue chips on the back of portfolio switching by some large institutions took prices sharply higher. The FT-SE 100 index rose 13.7 to 1,633.0 and the FT Ordinary share index closed 15.9 up at 1,286.3. Page 40

TOKYO: Prices closed lower for the first time in seven trading days. The Nikkei market average ended 19.59 lower at 17,727.91. Page 40

WALL STREET: The Dow Jones industrial average closed up 4.64 at 1,916.76. Page 40

DOLLAR closed in New York at DM 1.9880, SFr 1.6577, FFr 6.5105 and Y163.10. It fell in London to DM 1.9895 (DM 1.9935) and FFr 6.52 (FFr 6.5275), but was unchanged at SFr 1.6585, and rose to Y162.95 (Y162.50). On Bank of England figures the dollar's index fell to 110.5 from 110.6. Page 33

STERLING closed in New York at $1.4310. It closed in London at $1.4330 ($1.4225), SFr 2.3750 (SFr 2.38); FFr 9.3375 (FFr 9.2850); and Y233.25 (Y231). The pound's exchange rate index rose 0.3 to 68.2. Page 33

GOLD fell $2.50 to $382.25 on the London bullion market. It also fell in Zurich to $383.75. In New York the December Comex settlement was $383.1. Page 32

PROBLEMS with an in-house computer system at brokers Greenwell Montagu caused a rash of misleading stock prices on the London Stock Exchange's share information service mid-price. Page 7

WAGONS-LITS, Belgian leisure and rail group, reported an increase in turnover for the first nine months of 1986 and confirmed its previous profit forecast of BFr600m ($19.1m) for the year against BFr450m in 1985. Page 21.

WE REGRET that North American closing prices are incomplete in this edition due to communication problems.

Moscow to encourage 'mini private sector'

BY PATRICK COCKBURN IN NEW DELHI

THE Soviet Union plans further radical changes to its centrally-planned economy by allowing individuals to produce goods on a co-operative basis for the private sector.

A senior Soviet economist said yesterday that these organisations, at present illegal, should account for between 10 and 12 per cent of Soviet national income in 10 years and would constitute a new sector of the economy.

The initiative would be more important than last week's legalisation of individual labour, said Dr Leonid Abalkin, head of the influential Institute of Economics in Moscow. He is accompanying Mr Mikhail Gorbachev, the Soviet leader on a visit to India.

Dr Abalkin said in an interview yesterday that the law on private work was expected to double the contribution of private labour to the national income – the Soviet measurement of national wealth similar to GNP – from an estimated 2 per cent or 10bn to 12bn roubles ($6.7bn to $8.1bn) a year to 4 per cent.

He said, however, that the new law permitting co-operatives established by individuals and not, as hitherto, by the state, was more important because it would have a bigger impact on production of consumer goods and foodstuffs.

With the collective farms, the co-operative sector is expected to provide 20 to 25 per cent of national incomes within 10 years.

The legalisation of co-operatives and private labour and the decision to allow light industry to decide levels of output and types of production from the beginning of 1987, means that within a year the Soviet Union will have introduced changes in economic management which are almost as radical as those introduced in China over the past five years.

The main thrust of the reform is to keep central planning for heavy industry and public utilities but to allow a broad measure of private initiative in the manufacture of consumer goods, the service sector and agriculture.

Dr Abalkin, stressing that he was not speaking as a representative of the Soviet Government, was confident the new law would be passed, but he acknowledged that there was resistance to change.

He said that in the initial stages of economic reform, such as the decentralisation of control of foreign trade from the Foreign Trade Ministry to 21 ministries and 70 enterprises from the beginning of 1987, there were bound to be mistakes. Those who had opposed change would then claim their criticisms were justified.

He said that the most difficult feature in framing the new individual labour law, which comes into effect next May, was in producing regulations for those workers for whom "individual labour is the main form of work."

Coping with those who already legally held a second job was comparatively easy. Car owners who wanted to use their vehicles as taxis, a common form of secondary income in the Soviet Union, would in future simply pay for a licence costing 300 to 400 roubles a year.

A family running a cafe will, however, not be allowed a profit margin on the prices charged of more than 25 per cent.

Uncertainty about how the individual labour law might work out in practice has also prevented the Government finally deciding on the levels of progressive income tax it will levy above the present maximum of 13 per cent.

This would vary according to the Government's perception of public need. For example, private stock rearing might attract little tax because of the need to increase meat output.

Dr Abalkin said he was concerned that the lack of traditional full-scale service industries in central Russia, as opposed to the Baltic

Continued on Page 20

Reagan sets up probe into top advisers' role in arms deals

BY STEWART FLEMING AND LIONEL BARBER IN WASHINGTON

PRESIDENT REAGAN named a high-level team of investigators yesterday to examine the role of the National Security Council in the Iran-Nicaragua arms scandal.

The announcement came amid congressional calls for the appointment of a special prosecutor to undertake an independent investigation of allegations that American laws were broken in the secret transfer of up to $30m to the Contra rebels in Nicaragua.

The US justice Department has widened its own inquiry led by Mr Edwin Meese, the US Attorney General and close friend of Mr Reagan, into a full scale probe involving the FBI.

The President, Vice President Mr George Bush, and Mr William Casey, Director of the Central Intelligence Agency, have all been questioned by Mr Meese personally, a Justice Department official said.

The NSC inquiry team includes a former senator, Mr John Tower, a strong conservative who served as a US negotiator at the Geneva arms talks, Mr Ed Muskie, former US Secretary of State appointed in 1980 to replace Mr Cyrus Vance who resigned following the abortive US attempt to rescue American hostages in Iran, and Mr Brent Scowcroft, former security adviser in the Ford Administration.

Mr Meese said on US television yesterday that it was "entirely possible" that other people were involved in diverting money from US arms sales to Iran to the Contras.

But Mr Meese, rejecting parallels with the Watergate scandal that led to the downfall of President Nixon in 1979, said: "In Watergate you had at least the allegation that people were trying to conceal things."

The White House, reeling from

● Turmoil in the White House: analysis and details, Page 4

● Editorial comment: Reagan's crisis, Page 18

● Feature: In the dark – and in the cold. Page 18

the resignation of the President's National Security Adviser Vice Admiral John Poindexter and the sacking of a key aide, Lt Col OLIVER North, attempted to dampen speculation that knowledge of the arms deals went further than these two officials.

Mr Meese said: "We have pretty clearly esteablished that at this point the President, Vice President and all cabinet secretaries were not involved."

President Reagan yesterday headed for his mountain-top retreat in California to spend the Thanksgiving holiday with his West Coast friends.

He left behind in Washington a capital still reeling from the shock of Tuesday's disclosures about covert White House operations and the widespread conviction that the political repercussions of the affair will rumble on for months.

Sharp criticism of the affair was captured in the American press.

"Banana superpower" was the headline over the lead editorial in the Baltimore Sun, which questioned how Lt Col Oliver North, the 43-year-old ex-marine dismissed by the President for his role in the affair, could be charged with running "sensitive (and perhaps illegal) foreign operations."

The New York Times said "the facts roar for themselves" in an editorial which said that the most chilling disclosure was "evidence of a collapse of judgment and values" at the White House.

Even the Washington Times, a strong supporter of Mr Reagan, warned that the Administration's insistence that Lt-Col North was the only official directly involved would be widely disbelieved.

Mr Les Aspin, Democrat chairman of the House armed services committee said the president had done the right thing in clearing the decks following the dismissal of Lt Col North and the resignation of Vice Admiral John Poindexter, the President's National Security Adviser.

Mr Aspin suggested that both Mr Donald Regan, White House Chief of Staff, and Mr George Shultz, US Secretary of State were also involved. Mr Shultz has publicly distanced himself from the arms operation.

Mr Robert Dole, the influential Republican who is a contender for the presidential nomination in 1988, toned down his criticism of the administration, but warned that the disclosure of the Contra connection would be explored by Congress when it reconvened in January.

Senator Robert Byrd, Senate Democratic majority leader, said of the affair: "It was a shocking revelation and it further shows up the chaotic state of our foreign policy."

Foreign policy experts, too, are highly critical. Mr Zbigniew Brzezinski, former National Security Adviser under President Jimmy Carter, commented: "We are witnessing a crisis of the President's foreign policy. In a television interview, Mr Brzezinski expressed scepticism about the claim that only low-level US officials were involved.

UK to step up presence in Gulf War zone

BY DAVID BUCHAN IN MUSCAT AND ROGER MATTHEWS

BRITAIN is to step us its naval presence in the Gulf following the latest escalation in the war between Iran and Iraq.

The announcement was made in Oman yesterday by Mr George Younger, the UK Defence Secretary, who has been watching the biggest British military exercise in the region since the UK withdrew its permanent military presence east of Suez in 1971.

Hundreds of people have been killed in the past 48 hours as Iraq and Iran have launched air attacks cities, military installations and oil facilities.

Iraq said yesterday that over 50 people had died in the early hours of the morning when a Scud-B long-range missile fired from Iran fell in a central district of Baghdad, causing heavy damage over a wide area.

Iran said the attack was retaliation for an Iraqi bombing raid on the towns of Dezful and Andimesk in which 200 people died and several hundred were injured.

Mr Younger said that the decision to instruct British warships to spend more time in the Strait of Hormuz and the Gulf had been taken so that "if British ships or people get into difficulty, distress or disaster, the Royal Navy will be somewhere nearby."

The destroyer Nottingham and the frigate Andromeda will move into the Gulf next week following the completion of joint manoeuvres with Oman's armed forces involving over 4,500 British servicemen and Sea Harrier and Tornado aircraft.

Iran has been stopping and searching an increasing number of vessels passing though the Strait of Hormuz to prevent additional arms reaching Iraq.

The warships are also likely to be patrolling near the targets of two air strikes on Tuesday. Iraqi aircraft made their most southerly strike of the war when they bombed the Iranian oil terminal off Larak Island, damaging at least two tankers. Earlier, unidentified aircraft had struck an oil production platform in the Abu al Bakoosh field off Abu Dhabi.

Tankers were again reported to be loading normally at the Larak terminal yesterday, but Western military experts were divided over whether the Iraqi attack had been carried out by French-manufactured Mirage F-1 aircraft or by newly supplied Soviet "Badger" bombers.

The cabinet of the United Arab Emirates was called into emergency session yesterday to discuss the bombing of the Abu al Bakoosh platform, in which 10 people are feared to have died, including two Frenchmen, two Indians and a Pakistani.

Oman and Kuwait sent messages of support to the UAE and condemned what is being seen as a dangerous extension of the Gulf War.

Senior military officers in Oman

Continued on Page 20

UK union's plea for cover, Page 7

French banks face chaos over cheque charges

By George Graham in Paris

FRENCH consumer groups yesterday launched a guerrilla campaign against the introduction of charges on bank accounts. They urged bank customers to blot out the computer codes on their cheques or to write their cheques on blank paper in order to create an impossible administrative headache and force the banking system to think again about its plans to charge for chequebook services from January 1.

The banks are fighting back. The chequebook remains bank property. They warn that action could be taken against those who deface it by blotting out the computer codes.

The conflict over the introduction of charges for bank services has touched a raw nerve in France, and yesterday brought the intervention of Mr Edouard Balladur, Minister of Finance and the Economy. He welcomed the consumer groups' call for an information campaign aimed at curbing the growth of cheque use before charges are introduced, and called on the banks to consider the consumers' proposals quickly.

The French use cheques in quantities that put other countries in the shade. Last year, more than 4.5bn were written, accounting for 80 per cent of payments. In the UK, by contrast, only 65 per cent of payments – a total of 2.5bn – were made by cheque.

Strict laws against bouncing cheques mean that every French corner shop will accept a cheque in payment without a banker's card, and it is one of the most cherished rights of French citizens to pay for everything by cheque, free.

The banks are adamant that things must change, for years they have watched each other nervously, not daring to be the first to charge their customers for banking services, but the volume of paper has become too much. Some branches of Crédit Agricole have already started to charge, and all the main banks have now agreed to follow from January 1.

The cost of processing is estimated at FFr 3 (US 45 cents) to FFr 4 per cheque, however, and the banks claim that the introduction of charges is essential to curb the flood and reduce their operating costs.

"The aim is not to collect money, but to control the huge mass of little cheques and encourage the use of payment cards and direct debits," said Banque Nationale de Paris, France's largest bank.

The 18 consumers' associations involved in the campaign, some of

Continued on Page 20

Toshiba and Motorola in deal

BY LOUISE KEHOE IN SAN FRANCISCO

TOSHIBA of Japan and Motorola of the US, two of the world's leading producers of semiconductors, have reached preliminary agreement on a joint manufacturing venture in Japan and a wide-ranging exchange of products and technologies.

The tie-up, first mooted two weeks ago, has been influenced considerably by the controversial Japan–US semiconductor trade agreement concluded in July. That agreement bound the Japanese to help US semiconductor makers gain increased access to the Japanese market and to stop selling certain types of chips at excessively low prices.

As part of the agreement between the two companies, Toshiba said it would "actively support" Motorola's access to the Japanese semiconductor market. The agreement will also help Motorola re-enter the world market for dynamic random access memory (DRam) chips.

Because of severe price competition, Motorola withdrew last year from the DRam Market, re-entering it two months ago with chips purchased from Toshiba under the terms of a previous agreement.

The new agreement will license Motorola to manufacture memory chips designed by Toshiba. In addition to the DRam designs, Motorola has obtained rights to Toshiba's static random access memory (SRam) designs.

In return, Toshiba will buy microprocessors from Motorola and gradually gain access to this technology, in which Motorola is a world leader, through to 1991 as the US company's access to the Japanese market improves.

The two companies plan to build a joint venture factory at Izumi City, 350 km north of Tokyo. Previously, Motorola had planned to build its own plant on the site. The factory is expected to begin production in the first quarter of 1988. It will initially produce Toshiba-designed memory chips, including the most advanced 1 megabit and 4 megabit designs, as well as microprocessors designed by Motorola.

Ultimately, Motorola will license the joint venture to manufacture its latest, high performance 32 bit microprocessors. Motorola is the leading supplier of 32-bit microprocessors for use in engineering workstations, factory automation and high performance personal computers.

Motorola's agreement for the joint venture to manufacture its microprocessors in Japan represents a significant blow to Hitachi, which has previously been the sole Japanese licensee of Motorola microprocessors. The US group had not, however, licensed Hitachi to make the latest 32-bit chip, forcing the Japanese company to design its own.

The Toshiba-Motorola pact is the latest US-Japanese semiconductor industry link up, following Fujitsu's announced intention to merge its US semiconductor operations with Fairchild Semiconductor

Fujitsu results, Page 22

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Protesting Paris students keep determinedly apolitical

David Housego reports on a sudden revival of campus unrest

POLITICAL SQUALLS have a habit of blowing up in France. A week ago, the idea that Mr Jacques Chirac's administration would be faced with a university strike, protest marches by secondary school pupils and a mammoth student demonstration in Paris today would have been unimaginable.

But since last Saturday's gathering of student militants in the Sorbonne, the strike movement has spread like brushfire — leaping from one campus to another across the country and fanning out to the *lycées*, which feel closely involved in issues of university admission.

Photocopied texts of the legislation on university reform put forward by Mr Alain Devaquet, the Minister for Higher Education, have been snapped up by students who all seem to want a copy.

The student assemblies which have been meeting morning and afternoon on the campuses have been good-tempered affairs. "We are under orders to keep our good humour," said a smiling, neatly dressed girl at the Sorbonne yesterday. The meetings have been determinedly apolitical in the face of the Opposition Socialist Party's eagerness to exploit the discontent and the Government's wish to dismiss is as controlled by the Left.

The student gatherings have on the whole been well organised, with faculties setting u pliaison committees to keep in touch both with each other and with neighbouring *lycées* and parent-teacher associations. The main banner for today's march, "Unity between students and *lycées* — withdrawal of the Devaquet law," has been approved democratically.

Mr Chirac: embarrassed.

In the *lycées*, however, the speed of protest has defied the capacity to provide it with a framework. Several of the major Paris *lycées* have threatened punishments for those abandoning classes to take part.

"They are well-intentioned, but misled," said a teacher looking down on a crowded meeting at the Jussieu campus last night. Reflecting on what many conservatives feel, he added: "It is collective madness." The Devaquet law is an attempt to salvage the universities."

The university authorities and the Government have certainly been caught off balance by the scale of the movement.

Most surprised of all has been Mr Devaquet himself. A university professor who has been drafted into politics, he gives the impression of wanting to hasten back to his laboratory. He has come under criticism from many on the right for not going far enough with his reforms, and now believes that the reforms themselves have become a peg for voicing wider discontents.

By comparison with other European countries, French students have been quiet and apolitical in recent years — spurning even the European protest movement over nuclear weapons and the environment. The only campaign that has attracted strong support is that against racial discrimination, led by the pro-left movement SOS Racisme.

University students, since the 1968 protest movement have faced often squalid physical conditions and a heavy drop-out rate, and a depressing absence of prestige for their institutions compared with the elitist *grandes ecoles* colleges. Undoubtedly the combination of these frustrations and the difficulty of finding jobs has swelled the ranks of the discontented.

Mr Devaquet's law is under attack because it represents the second upheaval in the universities in the last four years—and also runs counter to the measures introduced by the former Socialist government.

The long-term belief of the French Right is that universities should be more autonomous and competitive, should fund themselves more from their own resources and should be more selective in their admissions. Mr Devaquet's Bill goes down this path, but only in a small way.

The reform brought in by the *Socialists* went in the opposite direction, in that it maintained open access to universities, broadened the curriculum in the initial years, and steered students more towards vocational courses. With one measure coming on the top of the other, students are now feeling that they are being treated like footballs and that consultation is insufficient.

The students also dislike Mr Devaquet's reform because they believe it will make it harder to study in the faculty of their choice, will penalise poorer students through higher admission fees, and will allow employers to discriminate between diplomas issued by different institutions.

At the same time, the students also seem to feel that the legislation has become a focal point for other discontent. "We wanted to act but we were waiting for an issue," one said last night. Another added that the Bill "was the final straw."

One source of resentment has been a new law which tends to treat drugtakers as delinquents. *The new nationality law, which* could make life more difficult for second generation North Africans now settled in France, is another.

Whether or not this adds up to a nawakening of a new generation, as some students and commentators suggest, or the emergence of a new moral consciousness among the young, is too early to say.

But for M Chirac it is nonetheless an *embarrassing* matter for there are doubts among his own supporters on the wisdom of the Bill, up to now the Government has stood firm, but with a majority of only three in parliament, it cannot hold out if opposition among students and parliamentarians becomes much stronger.

France will be without daily newspapers today as a result of a strike by print workers belonging to the Communist-led CGT union, David Housego Reports from Paris.

Main line rail and Paris Metro services could also be disrupted as a result of action by the CGT in protest at recent cuts announced by the Government in social security spending.

Mr Philippe Seguin recently announced savings of FFr 9.3bn (£1bn) in a full year on health spending including slightly higher charges for hospital patients.

The Communist Party has denounced these as threatening a "dismantling" of the social security system.

The newspaper proprietors association has condemned the strike as holding newspapers hostage over an issue which does not directly concern them.

● *French* unemployment fell by 0.2 per cent on a seasonally adjusted basis last month to 2.543m largely as a result of government measures to provide jobs for the young.

On an unadjusted basis the number of jobless rise by 1.7 per cent leaving 10.6 per cent of the labour force out of work.

The figures take account of a *different statistical* base for calculating French unemployment which has added 70,000 more to the number of jobless in October.

French Government to scrap most controls on prices

BY GEORGE GRAHAM IN PARIS

THE FRENCH Government agreed yesterday on a competition bill to remove price controls from most sectors and introduce new rules to govern cartels and price-fixing.

Price restraints dating back to 1945 will be removed from the end of the year, Mr Edouard Balladur, Minister of Finance and the Economy, said yesterday.

"We had to get away from price controls for industrial companies, because there is no use for this type of control once you have the healthiest benchmark: national and international competition. We also had to get away from them for services — which are more naturally focused on the domestic market — because price controls bring that comfortable alibi which allows everyone to prop themselves up on the norm of national inflation," Mr Balladur said.

The Government will retain powers to intervene in a crisis or if prices spiral out of control without economic justification. In addition, controls will remain in force on sectors such as books, tobacco and medicines especially areas where there is a monopoly.

Taxi fares, too, will still be controlled, and Parisian cab-drivers, horns blaring, yesterday laid siege to the Finance Ministry to make their disgruntlement known.

At the same time the administration is handing the rules over to an independent competition council. The council will be able to investigate anti-competitive practices such as price cartels or the abuse of a dominant market position on its own initiative or at the request of companies or organisations. The minister will not keep any power of veto.

Unfair trade practices will for the most part be handed over to the civil courts, and anyone injured by anti-competitive practices will be able to sue for damages.

The council will administer a simplified and more flexible competition code, with greater protection against excessive bureaucratic inquisitions, which Mr Balladur said will be able to adapt to changes over the coming years and the creation of a full European market.

Mr Balladur is keeping in his own hands decisions on mergers and industrial concentration. Mergers producing a company with a market share of more than 25 per cent or with turnover of more than FFr 7bn (£748m) in line with new EEC regulations, will be referred to the competition council for an opinion. The final decision will remain with the Economy Minister.

West German shipping groups in routes deal

BY KEVIN BROWN, TRANSPORT CORRESPONDENT, IN LONDON

HAPAG-LLOYD and Hamburg-Sud, the two leading West German shipping groups, yesterday announced a co-operation agreement in which each will withdraw from a major international trade route.

Under the agreement, Hapag-Lloyd will cease trading between Europe and the east coast of South America while Hamburg-Sud will end its service from West Germany to Indonesia.

The announcement marks a return to a "gentlemen's agreement" between the two companies which had operated since the Second World War under which each refrained from competing on the other's major routes.

The arrangement broke down a year ago when Hamburg-Sud established a service on the profitable Indonesia route. Hapag-Lloyd retaliated by chartering three ships to operate to South America.

Hapag-Lloyd said yesterday that its services had continued to be profitable during the period of competition with Hamburg-Sud, but both companies had agreed it was better "in the face of international competition for German companies to work together."

Tandon seeks European site

TANDON COMPUTER, the personal computer group launched by the US-based Tandon disc drive manufacturer just over a year ago, is planning to establish manufacturing in Europe during 1987, writes Terry Dodsworth in London.

Mr Chuck Peddle, head of Tandon's European operations, said at the launch of a new computer in London yesterday that the group was "open to offers" in its choice of a site. The company had no preference for a particular country, he added, but it would be looking for investment incentives.

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EUROPEAN NEWS

W Berlin court jails Jordanians for bomb attack

BY DAVID MARSH IN BONN

TWO JORDANIANS responsible for a bomb attack in Berlin in March were yesterday given heavy prison sentences, landing the West German Government with a difficult decision over its future relations with Syria.

The two men, Mr Ahmad Hasi and Mr Farouk Salameh, who admitted their guilt during last week's trial, were handed down sentences of 14 and 13 years respectively. Mr Hasi is the brother of Mr Nezar Hindawi, who was jailed for 45 years in London last month for the attempted bombing of an El Al airliner. The incident caused Britain to break off diplomatic relations with Syria.

Syrian involvements in the Berlin bombing, which took place at the offices of the German Arab Society last March, was clearly indicated during the trial, even though Mr Hasi refused to confirm during the trial earlier statements that he had received explosives from the Syrian embassy in East Berlin.

Nine people were wounded in the attack.

Reuter adds: West Berlin Justice Ministry officials immediately issued an international arrest warrant for Mr Haytham Saed, a Syrian military intelligence official alleged to have provided the bomb. Judge Haans-Joachim Heinze said the bombers, aged 35 and 39, got the bomb from the Syrian embassy in East Berlin.

● A Turkish court decided yesterday to proceed with the trial of a Syrian diplomat accused over the murder of a Jordanian diplomat, Reuter reports from Ankara.

Mr Mohamed Darwiche Baladi, second secretary and consul at the Syrian Embassy, left Turkey last Thursday when he was indicted with eight other people for the killing of Mr Ziyad Al-Sati, first secretary at the Jordanian Embassy, in July last year.

Bokassa trial likely to embarrass French

THE TRIAL of ex-Emperor Jean-Bedel Bokassa, 65, was postponed until December 15 for "further inquiries," by agreement between the Central African Republic's State Prosecutor and Bokassa's French and local defence lawyers, AP reports from Bangui.

The prosecutor surprised the opening session of the trial with the admission there were gaps in the four-page indictment accusing Bokassa of a long list of crimes, ranging from embezzlement of hundreds of millions of dollars of state funds to multiple murder and cannibalism.

The court approved the adjournment and appointed a special investigating magistrate to interrogate Bokassa during the next two weeks, confront him with prosecution witnesses, and hear claims for damages.

Bokassa was overthrown by a French-backed coup when on a visit to Libya in 1979.

Peter Blackburn adds: The trial is expected to produce embarrassing disclosures about the former French Army sergeant's relations with French political leaders.


Bokassa . . . mistaken belief.

Bokassa's gifts of diamonds to the former French President, Mr Valery Giscard d'Estaing, are widely believed to have contributed to the President's election defeat in 1981.

Dissidents threaten Dublin coalition

By Hugh Carnegy in Belfast

IRELAND'S Fine Gael-Labour coalition last night faced a finely-balanced vote in Parliament which underlined its growing fragility.

Already dependent on the Speaker's casting vote for its working majority, it had struggled for two days to placate dissident backbenchers threatening to vote with the opposition Fianna Fail party against plans to cut Christmas social welfare bonuses.

The Government, which narrowly survived a no-confidence vote last month, said it would not fall if the vote was lost. Neither side wants an election over the Christmas period and Dr Garret FitzGerald, the Prime Minister, is determined to survive well into the New Year. An election must be called by next November.

Nevertheless, this week's row appears to have shortened the odds on an early poll.

A number of backbenchers used the Christmas bonus issue as a means of protest against the Government's implementation of a European directive of equality for women in welfare payments.

The effect of this has been to cut drastically state support for thousands of Irish families where the husband is unemployed but the wife working. It evoked a storm of protest and forced the Government to announce two concessions in order to stem backbench dissent.

Polish N-plant safety demanded

By Christopher Bobinski in Warsaw

A ROW about safety at Poland's first nuclear power station has spilled into the open at a meeting of the Polish Academy of Sciences devoted to nuclear energy.

Professor Zbigniew Jaworowski, a radiobiologist demanded at the meeting on Tuesday that the plant at Zarnowiec on the Baltic Coast, still under construction, be equipped with a steel reinforced containment building.

Present plans for the 465 Mw Soviet-designed pressurised water reactor foresee no such precautions

Moscow wants SDI limits clarified

BY OUR MOSCOW CORRESPONDENT

THE Soviet Union is seeking new dialogue with Washington to clarify permissible levels of research on space-based missile defence systems in an effort to speed nuclear disarmament, Mr Viktor Karpov, Moscow's chief arms negotiator, said today.

Mr Karpov told a news conference that Moscow would pursue its arms control drive despite the current uproar in Washington over secret US arms sales to Iran and the channelling of their proceeds to Contra rebels in Nicaragua.

He said improved mutual understanding on the space defence research issue was essential if the two superpowers were to reach agreement on nuclear arms reductions after the breakdown of last month's summit in Reykjavik.

At their meeting in the Icelandic capital, Mr Mikhail Gorbachev, the Soviet leader, and US President Ronald Reagan came close to sweeping accords on nuclear missile cuts.

The talks foundered when Mr Gorbachev insisted that research on Mr Reagan's Strategic Defence Initiative (SDI) be limited to the laboratory under the 1972 anti-ballistic missile treaty (ABM).

In an interview published today by the West German magazine Stern, Marshal Sergei Akhromeyev, the chief of staff of the Soviet armed forces, declared that SDI represented an "offensive" weapons system, Our Bonn Staff writes.

No agreement with the US over reducing general intermediate range nuclear missiles could be reached so long as Washington clung to its Star Wars programme, he said.

Soviet and US interpretations of the treaty are at odds, with Washington maintaining that ABM does not specifically bar space testing of SDI while Moscow says this is prohibited.

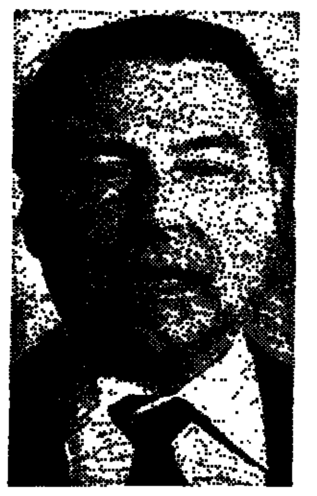
"The only possibility is to tighten our common understanding on the limits of permissible research so that there should be no misunderstanding or possible suspicions about observance of the treaty," Mr Karpov said.

He noted that the US had proposed talks aimed at defining acceptable ABM testing in the 1970s and added. "Now we are proposing to approach another sphere in the identical way—that is, the area of what is understood by permissible research in the sphere of space IBM systems.

"This would not involve any change of the treaty and could easily be carried out within its framework," he added.

Mr Gorbachev has repeatedly affirmed that SDI is the main obstacle to arms control and says Moscow would not agree to anything less than a package of disarmament measures including limits on Star Wars testing.

The Soviet Union maintains that the sort of massive nuclear arms cuts which were discussed in Reykjavik would make SDI unnecessary, while continuation of the programme would spark a dangerous arms race in space.


Mr Viktor Karpov

EEC spending gap of Ecu 4bn predicted

BY QUENTIN PEEL IN BRUSSELS

EEC BUDGET ministers were accused yesterday of leaving a spending gap of around Ecu 4bn (£2.22bn) in their plans for 1986 and 1987, by failing to take account of increased costs and falling revenues.

Members of the European Parliament, who share responsibility with the budget ministers of the EEC member states for drawing up spending plans, challenged the ministers to include the necessary sums in their calculations.

A top-level delegation met the Budget Council in Brussels to press the Parliament's case for a special Ecu 2.5bn stock disposal fund to be included on top of next year's Ecu 36bn budget to sell off food stocks, and for up to Ecu 1bn to be saved by imposing a 5 per cent cut in dairy farmers' milk production quotas.

The MEPs calculate that whatever happens, next year's spending will exceed the Ecu 36bn by between Ecu 2.5bn and Ecu 3bn, because of the increased cost of farm subsidies, mainly due to the falling dollar effect on exports.

On top of that sum, the European Commission told the ministers yesterday that this year's budget revenue will fall short of the expected level by Ecu 1.3bn, and suggested that savings must be found in a rectifying budget.

The budget ministers failed to agree on any action to save the Ecu 1.3bn, which means that the spending will, in effect, have to be financed from the 1987 budget revenues.

Although Greece, Spain and Portugal argued in favour of a rectifying budget, the other member states rejected it.

The ministers also made it clear to the parliament that its plans for the Ecu 2.5bn stock disposal fund, to be financed by only 10 of the 12 member states (all except newcomers Spain and Portugal), were out of the question.

Members of the parliamentary delegation, led by Mr Pierre Pflimlin, its president, pointed out later that the fixed costs of storage written into next year's budget were Ecu 3.832bn.

Mr Peter Brooke the British Minister of State at the Treasury chairing the council, told the MEPs that their plans for saving farm spending by cutting dairy quotas could not be decided by the budget ministers, but by the farm ministers meeting in December.

The Budget Council is expected to meet throughout the night in its effort to reach agreement on the figures for 1987, but not to attempt to meet any of the big estimated overspending above Ecu 36bn.

Prague increases borrowing from West

BY LESLIE COLITT IN EAST BERLIN

CZECHOSLOVAKIA, which has Eastern Europe's lowest per capita net debt—about $2.6bn (£1.8bn)—has raised its level of borrowing from the West.

The increase is to pay for an 8.4 per cent rise in imports of machinery and equipment urgently needed to modernise Czechoslovak industry. Exports to the West fell 6.3 per cent in the first nine months of this year.

Western bankers estimated the Prague Government will borrow $500m this year, against $350m in 1985. Only $100m, however, is accounted for by a syndicated loan earlier this year. The rest as in previous years, is made up of short term supplier credits and bank-to-bank borrowing.

Mr Jaroslav Kroh, of the Czechoslovak National Bank said Czechoslovakia would have a hard currency trade surplus this year of about $700m, or roughly the same as in 1985. Western analysts of the Czechoslovak economy, however, estimate it would record a hard currency surplus of between $300m and $400m, its smallest since 1980.

The Czechoslovak banker said the actual figure of the trade surplus was less important than that Czechoslovakia's payments remain "in balance globally," including developing countries. These, however, owe Prague money and are having great difficulty paying.

Traces of dioxin found after Sandoz fire

By John Wicks in Zurich

THE CHEMICALS fire at a Sandoz store near Basle on November 1 resulted in only very small traces of highly toxic dioxin, according to initial laboratory findings.

Dioxin is frequently known as the "Seveso poison," following its role in the large-scale pollution caused in 1976 after an explosion in an Italian plant of the Swiss Hoffmann-La Roche group.

Investigations into debris from the Sandoz fire have been carried out at the Joint Toxicological Institute of Zurich University and the Federal Polytechnic, also in Zurich.

About a fortnight after the fire it was discovered that some 2,325 kilos of the insecticide "Tedion" had been in the store of Schweizerhalle. The chemical structure of the active agent meant, according to Sandoz, that "the formation of dioxins could not be ruled out."

Danish trade deficit dips

By Hilary Barnes in Copenhagen

DENMARK'S trade deficit in October fell to DKr 1.31bn (£121m) from DKr 1.97bn last year, although the deficit for the first nine months increased from DKr 9bn to DKr 12bn, according to official trade figures.

The improvement comes a day after Prime Minister Poul Schlueter made an emphatic commitment to maintain the krone exchange rate.

Exports in October fell by 4.7 per cent to DKr 15.92bn and imports fell by 8.7 per cent to DKr 17.23bn. Exports for the first nine months have fallen by 3.9 per cent to DKr 143.3bn and imports by 1.9 per cent to DKr 155.4bn.

Italian shortfall cut

The current account of Italy's balance of payments showed a deficit of L320bn (£161m) in October—little more than half of the total for the same month last year, John Wyles reports from Rome. As a result, the country's cumulative 10-month deficit stands at L2,227bn compared with L4,988bn in 1985. The Bank of Italy's foreign exchange reserves rose slightly from L61,674bn at the end of September to L63,213bn at the end of last month.

TURMOIL IN THE WHITE HOUSE

Bush chooses invisibility as Reagan ascendancy fades

BY LIONEL BARBER IN WASHINGTON

IN THREE weeks of raging controversy over secret US arms sales to Iran, not a word has been heard from Mr George Bush, the Vice President of the US, who ranks as the Republican front-runner for the Presidency in 1988.

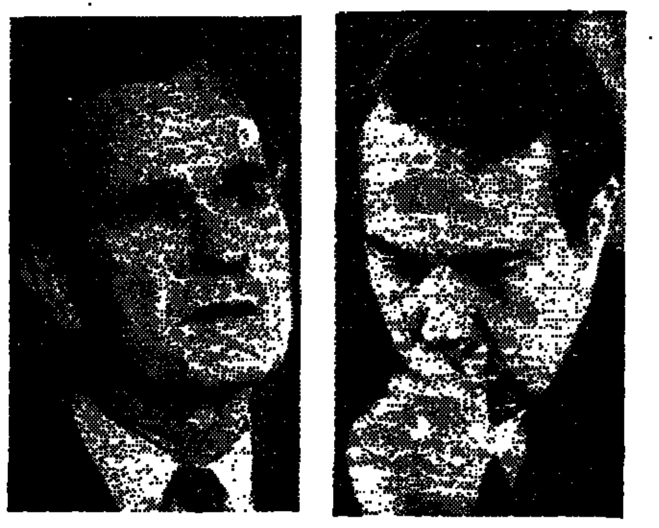
Mr Bush's profound silence is uncharacteristic of a man who has been one of President Reagan's most loyal and outspoken supporters. His decision, so far, to play the invisible man reflects the damage to his Presidential ambitions wrought by the Iran affair.

As long as Mr Reagan's star was in the ascendant, Mr Bush looked the strongest Republican contender in 1988. He had the money, the organisation, the widest support within the Republican Party, and, until the mullahs of Tehran intervened, the Reagan legacy. But when things go wrong, a Vice President's tie to the White House can dynamite the best political hopes.

This is doubly true of Mr Bush. As one former Republican Cabinet member remarked to the New York Times yesterday: 'George's problem is that he is a kind of political moon, who generates no light of his own. He has reflected Ronald Reagan's brilliance so far, but now that sun may be setting."

Mr Bush has managed to escape the Iran fall-out — so far. But as a member of the National Security Council, the President's high-powered advisory committee, he was intimately involved in the discussions which led to Mr Reagan's approval of secret arms shipments to Iran.

Mr Bush's position on the covert arms sales is not known. But the Vice President headed a task force on terrorism which stated in a report published last February: "The US Government will make no concessions to terorists. It will not pay ransoms, release prisoners, change its policies or agree to other acts that might encourage additional terrorism.'



Vice President Bush (left) and Senator Dole. Presidential chances may be blighted.

Critics of Mr Reagan — and no doubt in future Mr Bush — argue that this public hard line on terrorism is impossible to square with the secret overtures to Iran—identified by the US as a state sponsoring international terrorism.

Mr Bush is also linked to the Contra rebels. Last month, following the downing of an arms-laden US cargo aircraft in the Nicaraguan jungle, it was revealed that Mr Bush knew one of two former CIA operatives involved in running a Contra rebel supply network based in El Salvador. The bungled arms drop was part of this network.

Mr Bush subsequently acknowledged that he had met the former CIA Cuban American, Mr Max Gomez, but denied that he was directing covert operations in Nicaragua. He added, in a move interpreted to be aimed at winning support from the conservative Right-wing, that Mr Gomez was a "patriot." At the time, it looked a wise move, but in the wake of disclosures about the Iran-Nicaragua connection, it seems less clever.

Mr Bush's position contrasts with that of his potential Republican rivals in the race for the nomination. Mr Robert Dole, for example, the former Senate majority leader, has been openly critical of the Iranian operation and of the fierce infighting within the Administration in the rush to escape responsibility.

"They ought to circle the wagons — or let a couple of wagons go off the cliff," said Mr Dole, whose sharp tongue has been tempered in recent years as he has emerged as a sound performer with a good grasp of detail, both in public and on the floor of the senate.

Mr Dole, though generally supportive of the President has been bold enough to suggest that Mr Reagan made a mistake in authorising arms sales to Iran and should admit it. If the affair continues to damage the Administration, Mr Dole, providing he can steer a fine line between criticism and an open break with the President, should benefit.

More broadly, it is probably too early to judge how the Iran affair will affect the chances of the Republican Party in the 1988 elections. They took a knock in the recent mid-term elections, losing control of the Senate, but registered strong gains in the gubernational races.

The clue lies perhaps in the failure of Mr Reagan, who ran an intensely personal campaign on behalf of the party, to galvanise voters' support. They did not vote, as he urged, for a conservative agenda, nor did they heed his pleas to give the Republicans control of the Senate.

That signalled the loss of some of Mr Reagan's mystique and magic. In the next two years, it will be more important for Mr Bush to come up with something fresh if he is to have any chance of winning in 1988.

US press lambasts the banana superpower

By Nancy Dunne in Washington

US PRESS comment on Tuesday's revelations about US weapons sales to Iran was widely sceptical of President Ronald Reagan's actions and universally critical.

While most leaders stopped short of actually linking the affair to Watergate — the scandal which brought down Richard Nixon 12 years ago — the columnists were less reticent.

"We are about to descend into Northgate, mouths of endless questions about every detail of the funneling operation, apparently run by Lt-Col Oliver North of the NSC (National Security Council)," predicted Mr Charles Krauthammer, a Washington Post columnist.

His colleague at the Post, Mr William Raspberry, averred the investigation by Mr Edwin Meese, Attorney-General: "Reagan's supposed shock over its disclosures and the purging of (Admiral John) Poindexter and his deputy, Lt-Col Oliver North, are reminiscent of nothing so much as the Watergate scandal, which saw President Nixon ordering a John Dean investigation and ("shocked" at its disclosures) firing Dean, John Ehrlichman and H. R. Haldeman."

USA Today, a nationally distributed newspaper, headlined the affair "Firestorm at the White House... who knew what, when?" — all reminiscent of the underlying question asked in Watergate: "What did the President know and when did he know it?"

President Reagan's so-called "Teflon" presidency, which has allowed him to escape blame for policy failures, was seen to be at an end. "The powder trail runs right to the Oval Office," said the New York Times in a blistering editorial, which spoke of "White House 'cowboys'," "reckless aides," and "a pattern of lawlessness."

Scepticism that Col North had operated independently of other White House officials was widespread.

The Washington Post said it "begs belief" that Col North was "the sole person in the know," and even the Washington Times, an avid Reagan supporter, acknowledged that that claim "will be widely disbelieved."

Overwhelmingly, there was concern expressed about what the Baltimore Sun called "the mess in foreign affairs."

Mr Rowland Evans and Mr Robert Novak, syndicated columnists with close ties to the Administration, said that the secet diversion of funds "reflects a level of ignorance in the Administration threatening grave consequences in the MidEast" and wondered if the end of the US arms ban to Iran had "inadvertently opened the floodgates for enough sophisticated weapons from Israel and other countries to turn the tide of battle in the Iran-Iraq war."

Administration efforts to overthrow the Government of Nicaragua will meet new opposition, said the Sun; US relations with the Arab moderates are in severe trouble and Israel "now stands exposed in ways detrimental to its world position."

"Combine this with consternation in Western Europe over impulsive US arms-control offers at the Reykjavik summit," said the Sun, "and what we have is an unpleasant new spectacle: The first banana superpower."

Brief for Justice Department inquiry

THE US Justice Department investigation into whether US laws were broken by the secret laundering of arms sales proceeds to the Nicaraguan Contras will cover:

● The Arms Export Control Act: regulates and controls arms transfers and requires that Congress be notified of any arms shipment of more than $14m.

● Export Administration Act: an all-encompassing law aimed at controlling exports. It also generally bans the sale and export of commodities and goods to countries involved in backing terrorism.

● Omnibus Anti-Terrorism Act: amended the Arms Export Control Act to ban the transfer of commodities in excess of more than $1m to countries engaged in state-sponsored terrorism.

● The National Security Act (1947) and the Intelligence Oversight Act: require that Congress be notified of covert operations. If prior notification is not practical, Congress must be informed in "timely" fashion.

● The Boland Amendment: bans funds for military equipment, training or advice to the Contra rebels attempting to overthrow the Sandinista Government in Nicaragua. It was lifted this year when Congress approved $100m of direct military aid to the Contras, though the arms sales to Iran and the deposits of money into Contra accounts took place before Congress cast its vote.

● The Justice Department is also examining whether those engaged in the secret laundering of proceeds from arms sales to Iran may have committed criminal offences.

NATIONAL SECURITY COUNCIL

Glamorous group with a gung-ho attitude to power

BY OUR WASHINGTON CORRESPONDENT

THERE IS an air of glamour about the activities of the National Security Council staff, who serve the President from the old Executive Office Building next to the White House.

They form a select group of around 50 men and women, seconded from the foreign service, academia, the Central Intelligence Agency or, as in the case of Lt Col Oliver North, the marine at the heart of the Iranian arms sales scandal, the military.

As a co-ordinating team at the heart of the executive, they are more than a personal staff to the National Security Adviser. They have been likened to a mini-government, with sections for every region of the world, for military programmes, arms control, intelligence and public diplomacy.

Lt Col North, who joined the NSC staff in 1981 at the beginning of the Reagan Presidency, has shared in some of its most secret and sensitive missions: the hunt for the Beirut truck bombers who killed 241 marines, the mid-air interception of the airliner carrying the Achille Lauro cruise ship hijackers, the planning of the 1983 US invasion of Grenada, and last April's bombing raid on Libya.

The NSC was formed in 1947 as part of several key changes made in the operation of the modern American Presidency. Congress, recognising the new demands on the President created by the emergence of the US as a superpower, created the high-level committee, whose members included the President, Vice President, Secretaries of State and Defence, and the Attorney General.

The NSC staff were the advisory back-up to the council itself but they primarily served the National Security Adviser, a new post simultaneously created which was aimed at helping the President to devise and implement primarily foreign policy.

Since then, the NSC has risen to dizzying heights of power and prestige, notably under President Richard Nixon and his National Security Adviser, Dr Henry Kissinger, the architect of detente with the Soviet Union and the opening of new relations with China.

This power has produced tensions with the American bureaucracy which have never been resolved satisfactorily. The State Department, nominally the prime mover in foreign policy and diplomacy, has often felt undercut by the activities of the National Security Adviser.

Never was this felt more than under Dr Kissinger who frequently went behind the back of the then US Secretary of State, Mr William Rogers.

Under President Reagan, the post of National Security Adviser has been more an ejector seat than a hot-seat at the centre of the Government. Vice Admiral John Poindexter is the fourth departure in six years, following the conservative academic Mr Richard Allen, the Californian judge and Mr Reagan's friend, Mr William Clark, and Lt-Col. Robert McFarlane, who is already emerging as a central figure in the current controversy over Iran and Nicaragua.

Mr McFarlane, who fought a constant battle for power in the first half of President Reagan's second term with Mr Donald Regan, White House Chief of Staff, and Mr George Shultz, Secretary of State, finally resigned in December 1985.

He had been a prime instigator in drawing up plans for aiding Nicaraguan Contras during a Congressional military aid ban in 1984 and also first suggested making overtures to supposed moderates in Iran.

Mr McFarlane left the detail to Lt-Col North, who, according to widely published reports was responsible for drawing up a private aid network for the Contras. Both men are Marines, both enjoy active service.

This gung-ho attitude among some of the NSC staff is linked to President Reagan's forthright support for anti-Communist guerrilla movements across the world, in Nicaragua, Angola and Afghanistan.

Some US officials are already saying that Mr Poindexter was effectively "sandbagged" by Mr McFarlane, who began the clandestine operation with Iran. One former NSC staffer told the Washington Post yesterday that Mr Poindexter was "never able to get a handle on what was going on in his basement."

SCANDAL REVEALED: President Reagan (right) tells reporters to question his Attorney General about Iranian arms sales as Mr Donald Regan, White House Chief of Staff (left) and press spokesman Larry Speakes look on

Peres faces call for inquiry over Iran arms sales

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI Government was in deep disarray last night as members of the coalition Cabinet called for a full investigation into the US admission that Israel has been supplying arms to Iran.

In the Knesset, the Israeli parliament, Mr Shimon Peres, the Foreign Minister, came under sustained attack from all sides of the political spectrum over the way in which knowledge of the contacts with Iran had been withheld from even the 10-man inner Cabinet in the coalition Government.

For once, the usually urbane Mr Peres lost his composure as he angrily defended the arms transactions. He said they had been motivated entirely by moral and humanitarian considerations on behalf of the US hostages held in Lebanon.

It now appears that only three top officials—Mr Peres himself, Mr Yitzhak Shamir, the Likud leader, who took over as Prime Minister last month, and Mr Yitzhak Rabin, the Labour Defence Minister—were party to the secret arrangements.

In contrast with events in Washington no resignations of top Israeli officials are immediately in prospect over the Iranian arms affair. Concern is palpable, however, over the damage being done to the close relationship with the US in a variety of military and strategic fields.

In particular, Israeli diplomats admit to anxiety over the shaky position of Mr George Shultz, regarded as Israel's closest friend in the Reagan Administration. The news that he had not been included in Tuesday's dismissals was greeted with considerable relief.

A statement issued by the three Israeli leaders who know of the affair said the country had "helped transfer defensive arms and spare parts from the US to Iran at the request of the US." It went on to deny any knowledge of the use to which part of the receipts from the shipments were put.

"Israel did not make one cent out of the whole affair," Mr Peres insisted yesterday, adding: "We received arms (from the US) and we transferred them to Iran under specific goals and objectives."

This limited admission of involvement has by no means stilled the Government's critics, within parliament and in the press. An unlikely alliance of Mr Ezer Weizmann, a Liberal Minister usually close to Mr Peres, and Mr Ariel Sharon, the ultra-hawkish Industry and Trade Minister, joined left-wingers in their demands

The press is openly sceptical of the explanations put forward in the official statement. As Ha'aretz, a highly respected daily, asked yesterday: "How could Mr Peres justify his position, knowing that the US had asked Israel no less than four times between May 1982 and April 1984 to halt arms sales to Iran?"

Israel's close relationship with the US is vital: Foreign Minister Shimon Peres with President Reagan on an earlier visit to Washington.

Strategic game with high stakes

BY OUR JERUSALEM CORRESPONDENT

OVER the eight years following the Iranian revolution, Israel is reliably reported to have provided the badly demoralised and purged Iranian armed forces with frequent injections of badly needed spare parts and munitions.

When the air force's Phantom fighter bombers were short of tyres an airlift was arranged. When long range howitzer shells were in short supply the accommodating Israelis were ready to help, even if the supply route was often circuitous.

But the latest bombshell from Mr Edwin Meese, the US Attorney General, which implicates the Israeli Government in apparent profiteering, has left Israeli officials flailing for explanations. Privately, officials reacted yesterday by remarking that Mr Meese was "anti-Israeli."

What the Attorney General says he has unearthed is that $12m worth of anti-tank and surface-to-air-missiles shipped by the US to Israel, for onward passing to Iran, ended up costing the Iranians somewhere between $22m and $42m. The large gap in the final price was not explained.

What appears to have happened is that the Israeli Government ordered that all the Tow anti-tank missiles and Hawk anti-aircraft missiles for Iran should be taken out of its own large stocks of war materials, to be replaced later by the fresh American supply.

These were then shipped to Iran aboard Danish vessels, along with other munitions provided under quite separate long-term understandings, worked out between Israeli arms dealers close to the Israeli political leadership and their contacts in Tehran.

By supplying Iran with arms under an arrangement which was bound one day to become public, the critics say Israel was undermining the cornerstone of its strategy towards its Arab neighbours: the peace treaty with Egypt which had detached that country from the ranks of its potential enemies. Egypt is a solid support of Iraq in the Gulf war.

Key events in unfolding crisis

Feb 1984: Ships are blown up in Nicaraguan harbour by CIA-planted mines.

1985

July-Aug: Secret US-Iranian contacts initiated through Israel.

Aug-Sept: First aircraft-load of Israeli-arranged arms shipments sent to Iran.

Sept 14: Rev Benjamin Weir, a US hostage, is released. White House announcement of Weir's release delayed for four days amid hopes other hostages will be freed.

Dec 4: Mr Robert McFarlane, National Security Adviser, resigns.

Dec 6: Mr McFarlane meets in London with Israeli and Iranian middlemen to discuss arms shipments and hostages.

1986

Jan 7: White House policy review of Iranian role in hostage situation. Mr Shultz, Secretary of State, and Mr Weinberger, Defence Secretary, oppose arms shipments.

Jan 17: President Reagan signs secret intelligence "finding" authorising arms shipments to Iran.

February: First US arms shipments sent via Israel to Iran.

May: Second US arms shipments via Israel to Iran.

May 28: Mr McFarlane secretly visits Tehran in aircraft carrying arms.

July 26: Rev Lawrence Jenco, US hostage, is released.

August: Third US arms shipments via Israel to Iran.

Sept-Oct: Three Americans abducted in Lebanon.

October: Contra arms supply aircraft shot down over Nicaragua. Crew member Mr Eugene Hasenfus held by Nicaraguan Government.

Nov 2: Hostage David Jacobsen is released.

Nov 3: Lebanese magazine Al Shirra reports secret McFarlane visit to Iran.

November 4: Visit of Mr McFarlane confirmed by Ali Akbar Hashemi Rafsanjani, speaker of the Iranian parliament.

November 13: President Reagan defends Administration's diplomatic initiative to Iran in television speech. Denies arms for hostages swap.

November 15: Eugene Hasenfus found guilty of terrorism in Nicaragua.

November 19: President Reagan in televised press conference accepts responsibility for Iranian arms sales decision.

November 25: President Reagan announces resignation of Vice-Admiral John Poindexter as National Security Adviser. Mr Edwin Meese, Attorney General, discloses $10-$30m of Iranian payments for arms diverted to numbered Swiss bank accounts controlled by Nicaraguan Contra rebels.

Washington Post reports that William Buckley, a hostage taken in Lebanon in March, 1984, was the CIA station chief in Beirut. He was reportedly tortured and executed.

Veteran Washington insiders to head panel

By Our Washington Staff

PRESIDENT Reagan yesterday, in an attempt to put the Iranian arms sales affair behind him, appointed three veteran Washington insiders to study "the future role and procedures" of the embattled National Security Council (NSC) and its undercover operations in Iran and Nicaragua.

The Special Review Board will be headed by former Senator John Tower of Texas, chairman of the senate armed services committee from 1981 to 1984 and a former arms control negotiator for the Reagan Administration.

Also named to the panel were former Senator Edmund Muskie, a former Democratic presidential candidate, and Mr Brent Scowcroft, former National Security adviser during the Ford Administration after the resignation of Mr Cyrus Vance, who stepped down in protest at the abortive 1980 US attempt to rescue 52 American hostages held in Iran.

Senator Tower has been promoted by many of the President's supporters as a candidate to succeed either Mr John Poindexter, as National Security Adviser, or Mr George Shultz, the Secretary of State. Such a move seems unlikely in view of his appointment.

In a written statement accompanying the announcement, President Reagan asked the new board to "review the NSC staff's proper role in operational activities, especially extremely sensitive diplomatic, military and intelligence missions."

"Specifically, they should look at the manner in which foreign and national security policies I established have been implemented by the NSC staff," he said.

The President promised the board complete access to the NSC staff and promised to share its findings with the Congress and American people.

Arms scandal puts dent in Contras' image

By Our Managua Correspondent

THE DISCLOSURE that millions of dollars from a controversial US-Iran arms deal had been diverted to US - backed Nicaraguan Contras dealt a serious blow yesterday to the rebels' efforts to improve their image.

The Contras had been holding a two-day meeting in Costa Rica this week, which ended in turmoil on Tuesday when news of the deal broke. Rebel spokesmen in San Jose denied all knowledge of the funds. "We didn't know it, and we don't know it now," Mr Pedro Joaquin Chamorro of the United Nicaraguan Opposition (UNO), a rebel umbrella group, said.

The group had called the San Jose meeting in an attempt to forge a manifesto responding to complaints that the Contras lacked a coherent political programme and did not represent a realistic alternative to the Left-wing Sandinista Government.

Critics of US aid to the Contras have charged that US funds had been embezzled by rebel chiefs, rather than used to help topple the Sandinistas.

Diplomats said the Iran arms deal revelations were certain to strengthen Congressional opposition to funding the rebels, who were granted $100m in mainly military aid recently.

How Israelis act as surrogates for US in Central America

BY DAVID GARDNER IN MEXICO CITY

WHETHER OR NOT Israel can be proven knowingly to have served as a conduit for US aid to the Nicaraguan Contras, it would not be the first time that Tel Aviv has acted as a surrogate for Washington in Central America.

Israel has provided vital military assistance to Guatemala following the Carter Administration's decision to cut off aid to the then military regime in 1977, and in 1981 a pool of Israeli arms manufacturers were reported to have set up shop in one of Guatemala City's main hotels.

The country's extreme Right-wing military regimes are reckoned by international human rights organisations to have murdered around 150,000 people since they initially took power in a 1954 coup sponsored by the US Central Intelligence Agency. Civilian rule returned to Guatemala in January this year.

President Carter's Administration sought to dissociate itself from this record, the worst in Latin America, but not to the extent of leaving Guatemala at the mercy of a then powerful Left-wing guerrilla movement. According to US and European diplomats, Guatamalan military officers and Opposition leaders, the Israelis were persuaded to fill the military gap left by the US.

Israel has provided Guatemala with arms, training and assistance with communications, intelligence and interrogation. The Israelis built a munitions plant in Coban in Eastern Guatemala to make M16 and Galil assault rifles (importing the firing mechanisms from Singapore) and cartridges.

In December 1983, a mix-up between Israeli officials and US Customs authorities led to the temporary impounding in Florida of 12,000 Remington Mauser rifles on consignment from Israel to Guatemala's civil defence patrols, according to US officials.

European diplomats in Guatemala say Israeli NCOs have also been used by private landowners to train their squads of security guards. Private security guards and off-duty military officers formed the fearsome "death squads" which later spread to neighbouring El Salvador, where they have been responsible for an estimated 20,000-30,000 murders of Left-wing dissidents.

A senior member of the Jewish community in Guatemala points out that Israeli links with the country go back to the foundations of the Israeli state. The Guatemalan ambassador to the United Nations in 1948, Mr Miguel Garcia Granados, played a key role in mobilising Latin American support for Israel in the vote which led to its creation.

Israeli business interests have considerable investments, through intermediaries, in Guatemala's agribusiness, and more overtly in agroindustrial ventures in other countries in the region like Costa Rica, the Dominican Republic and Jamaica.

Israel also has links with Panama.

Mr Mike Harari, former chief of Israeli intelligence, has had a long and close association with the Panamanian armed forces chief and strongman, General Manuel Antonio Noriega, who once jokingly introduced Mr Harari as "my mentor."

In June this year, the New York Times quoted US intelligence sources as saying Gen Noriega was involved in arms and drugs trafficking, setting off a diplomatic row between the two countries which is still continuing. Some of the arms sold on Panama's so-called "free market" have been Israeli-made Galils and Uzis.

Playtex joins US corporate exodus from S Africa

BY ANTHONY ROBINSON IN JOHANNESBURG

PLAYTEX, the US corsetry company, announced yesterday it was withdrawing from South Africa and arranging a local management buy-out. The move came as Mr Oscar Dhlomo, one of the chief aides of the Zulu Inkatha movement led by Chief Gatsha Buthelezi, launched a strong attack on foreign companies leaving South Africa.

Playtex, which employs over 400 mainly black workers, is based in Durban. Under the terms of the local management buy-out, the new company, to be called PTX Distributors, will continue to manufacture the Playtex range, will have access to new developments by the US parent and will keep traditional Playtex names. As such it follows the pattern created by most other US companies which have formally severed links with parent companies while retaining indirect marketing and other connections.

Mr Dhlomo said apartheid had been a golden goose for many of the foreign companies which were now pocketing their golden egg and pulling out. He told a meeting of black and white businessmen in the black township of Atteridgeville, near Pretoria: "The problems of South Africa will not be solved by the faint-hearted and those who are so eager to cut and run." He described companies which have decided to stay in South Africa as "our comrades in the struggle to dismantle apartheid."

He singled out British Petroleum as an example of a foreign company which had made itself welcome during the apartheid era and would be welcome during the post-apartheid era. Last week BP re-affirmed its commitment to stay in South Africa and proposed the re-building of the District Six area of Capetown as a non-racial business and residential zone.

In a veiled reference to General Motors and other foreign companies which have sold out to local management teams, Mr Dhlomo commented: "Some of the new masters have already warned that they do not regard themselves as duty-bound to honour the social obligations of their departing predecessors on the factory floor.

"The net result is that black workers—including those whose unions support disinvestment—have only managed to change masters instead of crippling the South African economy."

Australia's economy begins to pick up

By Richard Hubbard in Canberra

THE AUSTRALIAN economy showed early signs of responding to the fall in the dollar and the Federal Government's tight economic policies yesterday posting its first quarterly increase in gross domestic product (GDP) for nearly a year.

The third quarter figures revealed that a rise in net exports and a pick-up in commercial investment had lifted GDP by 0.2 per cent after a decline in the economy in the three previous quarters.

Mr Paul Keating, the Federal Treasurer, remained cautious about the result, warning that a sustained economic recovery remained a long way off. He said the Government was committed to maintaining a tight monetary policy until a clear correction in the balance of payments problem was evident.

Declining commodity prices and a fall in the value of the Australian dollar has combined to create severe balance of payments difficulties because Australia relies heavily on exporting primary products to pay for imports of manufactured goods.

The quarterly figures show an increase in farm output of 0.6 per cent and in other production of 0.2 per cent.

Aquino wins ceasefire deal with Communists

BY STEPHEN BUTLER IN MANILA

THE GOVERNMENT and Communist rebels in the Philippines yesterday agreed on a ceasefire to end the 17-year insurgency.

The agreement, to be signed this afternoon, calls for a sixty-day ceasefire from December 10. Negotiations for a more enduring peace agreement are to begin within 30 days of the signing.

The accord follows months of on-and-off negotiations and if it holds will be seen as a major achievement by President Corazon Aquino, who pushed forward with the negotiations despite strong apposition from factions in the military and her former defence minister, Mr Juan Ponce Enrile, who was forced to resign on Sunday amid rumours of a coup.

Government negotiators yesterday presented drafts of the ceasefire agreement to Mrs Aquino and to military officials including General Fidel Ramos, chief of staff of the armed forces, and the newly installed defence minister, Mr Rafael Ileto. Senior military officials were later quoted as saying the agreement was workable and that the military could support it.

Details of the agreement will not be available until after the signing. Mr Satur Ocampo, a Communist negotiator, however, indicated that no withdrawal would be required by rebel or government forces in areas where they now operate.

The definition of "acts that would violate the ceasefire" had held up agreement until the last moment, with the military apparently succeeding in its demand that rebel tax collection be considered a violation. Mr Ocampo said a compromise had been found on the question of rebel rentention or arms.

Mr Ramon Mitra, the government negotiator, deflected suggestions that the Communists would take advantage of the ceasefire to press their advantage on the Government.

He said: "I think it is a victory by the Government and a victory by the Philippine people. The matter of whether Communism advances or loses support is won not in the negotiating table, but in the campaign for the hearts and minds of the people." He welcomed Communist participation in the legal political process.

Mr Ocampo said that an agenda for settlement of the rebellion had yet to be drawn up, but that the Communist side intended to include the issue "national dignity and sovereignty" which is a code phrase for the presence of US bases in the Philippines.

Negotiations with the Communist rebels has been a highly divisive issue in the Philippines, with Mr Enrile spearheading an anti-Communist campaign in recent months.

John Demjanjuk on his way to court yesterday.

Holocaust trial revives painful memories

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL'S first trial of an alleged Nazi war criminal for a quarter of a century opened here yesterday amid a row over a planned first trip by an Israeli president to West Germany next Spring.

Mr John Demjanjuk, a 66-year-old retired car worker stripped of his US citizenship, is charged with being the sadistic Treblinka prison camp guard known as Ivan the Terrible. He faces the death sentence for crimes against humanity and the Jewish people.

The trial, which coincides with the recent downgrading by Israel of diplomatic relations with Austria over the Nazi past of President Kurt Waldheim, has reawakened many painful memories for Israelis, but has aroused much less passion than expected.

At the opening yesterday of Mr Demjanjuk's trial, Mr Mark O'Connor, his American lawyer, refused to enter a plea in response to the indictment—insisting that his client was a victim of mistaken identity. The three-judge bench said it would interpret the response as a denial of guilt.

The proceedings in the Jerusalem District Court were imbued with much emotion, as survivors of the Nazi holocaust gathered to bear witness to events almost 45 years ago. "I tremble when I see his hands," said Mr Shevach Weiss, a Labour member of Parliament and holocaust survivor, whose family perished in the Treblinka death camp in Nazi-occupied Poland.

Like most Israelis, Mr Weiss—himself of Ukrainian origin—is convinced that the Ukrainian-born defendant is guilty. To these Israelis the trial is simply a formality, to maintain legal propriety.

Yesterday's opening hearing was, in essence, a legal technicality, to avoid having to release Mr Demjanjuk from custody. After a 40-minute session the trial was deferred until mid-January.

Holocaust survivors and right-wing members of the Knesset are, meanwhile, mounting a noisy campaign against the planned visit by President Chaim Herzog to Germany.

The president's office issued a statement on Tuesday defending the trip—a highlight of which will be a visit to the Bergen-Belsen Nazi concentration camp—saying it would reinforce consciousness of the holocaust in both Germany and Israel.

Mr Demjaniuk was extradited from the US in February, and has been held on reman in a specially-built prison cell in Ramle, near Tel Aviv.

Gencor locks out 2,000 miners after wildcat strike

BY JIM JONES IN JOHANNESBURG

GENCOR, South Africa's second-largest mining house, yesterday locked out about 2.000 black miners who returned to work after a wildcat strike on Tuesday at the company's Matla colliery.

Mr Graham Thompson, chief executive officer of Gencor's coal division, said the company was not prepared to allow the men to return to work until individual disciplinary hearings had been completed and management had determined the causes of the stoppage.

According to some strikers, the stoppage resulted from dissatisfaction with the relationship between the management of Gencor's Kinross gold mine and the National Union of Mineworkers (NUM). Mr Thompson believes that this is an unsatisfactory reason for striking at the colliery and says that talks with the NUM are due to be held this morning.

The Kinross mine was the site of South Africa's worst gold mine disaster in September when 177 men died in an underground fire.

Matla supplies coal to a thermal power station belonging to Escom, the state-owned electricity utility, and has been operating below its design capacity for some months because of reduced demand for power station coal.

Last year Matla's No 3 mine was closed and, recently, the company said that more men were employed at Matla than needed. At present production is being maintained by the colliery's white personnel.

In another development yesterday, about 450 men at Gencor's Winkelhaak and Bracken gold mines ended a two-day wildcat strike.

Museveni brings in fresh faces to tackle economy

BY OUR KAMPALA CORRESPONDENT

PRESIDENT Yoweri Museveni has reshuffled his cabinet, appointing new men to tackle Uganda's daunting economic problems.

Dr Crispus Kiyonga, the former co-operative and marketing minister, has replaced Prof Ponsiano Mulema as Finanee Minister.

Prof Mulema is said to have been isolated among his colleagues. He was picked for the job after Mr Museveni came to power in February because his opinions matched those of the ruling National Resistance Movement. However, his first budget proposals were rejected, and he has now been transferred to Regional Co-operation.

Dr Kiyonga, a dedicated NRM member, is unlikely to argue with Mr Museveni's economic strategy, which aims at a self-sustaining economy.

However, some observers have questioned whether a medical practitioner will have the necessary expertise to unravel Uganda's economic problems. These include spiralling inflation of around 175 per cent a year, debt repayments that absorb more than half the country's yearly export earnings from coffee, and massive rehabilitation needs.

Other appointment include a new governor, Mr Suleimann Kigundu, for the Bank of Uganda, the central bank, and a new chairman for Uganda Commercial Bank, Mr Frank Mwine.

Despite criticism from the World Bank in Washington over Uganda's exchange rate policies, the World Bank's Kampala representative, Mr Grant Slade said yesterday that he was optimistic about Uganda's economic prospects.

Members of the commercial community maintain that the Government may soon alter the exchange rate from 1,400 to 3,000 shillings to the dollar.

This would alleviate pressure on exports and reduce the gap between official and unofficial currency rates.

The reshuffle was widely anticipated,

Bahrain causeway will boost relations with Saudis

BY O! ? FOREIGN STAFF

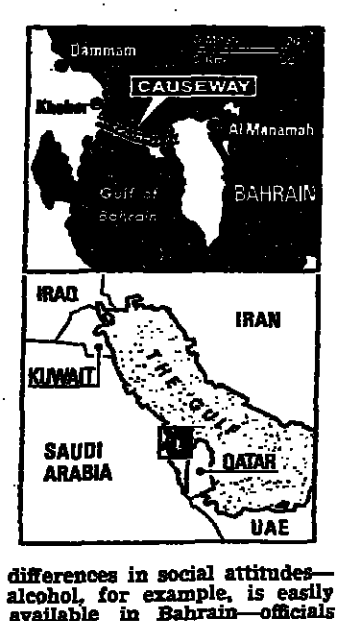
THE 25-KILOMETRE causeway between Saudi Arabia and Bahrain, completed nearly a year ago, was opened yesterday at a ceremony attended by the rulers of both countries.

Costing nearly $700m, it was named by Sheikh Isa bin Sulman al Khalifa of Bahrain, the "King Fahd Causeway" in recognition of the fact that the cost was borne by Saudi Arabia.

Officials from both countries have said the causeway will further cement relations between Bahrain and Saudi Arabia, which together with Kuwait, United Arab Emirates, Qatar and Oman form the Gulf Co-operation Council.

The causeway will be open for 10 hours a day, but no decision has yet been announced as to who will be allowed to cross and what form of transport they will be allowed to use. A Saudi-Bahraini bus company has been formed to ferry passengers across, but there is no indication whether private passenger cars will be allowed.

The Government in Bahrain has emphasised that the causeway will not presage a great change in the relationship between the two countries. There have been regular flights for many years and despite the differences in social attitudes—alcohol, for example, is easily available in Bahrain—officials say they do not believe that this will cause any difficulties.



However, there could be problems for businessmen in Bahrain as a range of items, such as cars and other consumer goods, tends to be significantly cheaper in Saudi Arabia.

WORLD TRADE NEWS

S Korea prepares for worldwide chip war

BY STEPHEN BUTLER RECENTLY IN SEOUL

SOUTH KOREA'S semiconductor manufacturers are positioning themselves for a worldwide competitive scramble against the Japanese makers, while trying to hold a strong position in the US where they see slower market growth in the coming years.

The strategy includes a rapid increase in manufacturing finished products to absorb expanding domestic capacity for semiconductor production.

South Korea emerged recently as the newest entrant in the high stakes commodity chips market for large integrated circuits.

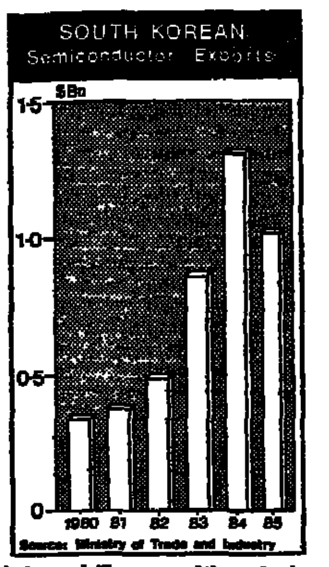
Two South Korean companies, Hyundai Electronic Industries and Samsung Semiconductor and Telecommunications, now have the capacity to produce about 10m 256KDRAM chips monthly, although Hyundai, with a capacity of about 4m chips, says its production is just starting and exports so far are negligible.

Mr Jang Dong Seok, a manager in Samsung's export department, says that Samsung has benefited from the US price rise after the Japan-US semiconductor pact last July. US prices of the 256K chips, says Mr Jang, have now risen to between $2.30 and $2.40 per chip.

Mr Jang says, however, that Samsung is concerned about a possible anti-dumping action in the US against Korea and has resisted the temptation to flood the market with cut rate chips. US sales, which account for about 45 per cent of Samsung's exports, have been flat in recent months.

The Korean manufacturers believe the effects of the semiconductor pact have been slow to work through due to Japanese sales through "grey market channels," not covered by the monitoring system.

The Korean manufacturers confirm that the Japanese have sold cut-rate chips elsewhere in Asia and Europe, although they do not regard this as "dumping" nor do they see this as a violation of the US-Japan agreement, since it involves third countries.



Samsung believes that the potential for market expansion is highest in those markets in Europe and Asia where price competition is now intense. It says prices of the 256WDRAM chips are about $1.82 in Asia and about $2.20 in Europe, including a 14 per cent EEC duty.

These prices are not believed to cover production costs, although the Korean manufacturers, which are part of large industrial conglomerates, have always seen the development of semiconductor technology and manufacturing as an essential part of a broader strategy to compete in high technology industrial electronics.

Samsung manufactures 5m 256KDRAM chips a month and this could be raised to 6m if demand picks up as it expects in the second quarter of 1987. Samsung also makes about 3m 64KDRAM chips monthly.

The company expects to be marketing the one megabyte chip by the middle of next year. The chip will initially be manufactured on the line already used to produce the 256K chips, although new capacity will be added if demand warrants.

Samsung markets about 15 per cent of its production domestically and expects this ratio to rise to above 20 per cent next year and still higher in subsequent years.

Hyundai also has its eye on a high volume of domestic sales, says Mr J. W. Lee, a Hyundai director, although chip export earnings next year are expected to reach $200m. Mr Lee says that many of the domestically sold chips will go into the 300,000 IBM-compatible personal computers that Hyundai plans to export to the US next year.

Hyundai Electronics expects to become a major supplier of electronic components to Hyundai Motors, whose sales this year in the US have taken off.

Italy likely to finalise Soviet credit today

BY ALAN FRIEDMAN IN ROME

ITALY'S Mediocredito Centrale, the state-owned medium-term export credit institution, is expected to finalise today a L700bn (£353m) eight-year open credit line for the Soviet Union.

The credit represents the first such "open" line to be extended by Rome to Moscow in ten years, and it is hoped it will encourage more Soviet purchases of Italian products.

Mr Gian Piero Elia, general manager of the Rome-based Mediocredito Centrale, is in Moscow this morning to discuss the loan line, aimed at financing exports from medium-sized Italian companies.

The terms call for a maturity of eight years, with total interest of around 8 per cent. *Moscow will be expected to pay a rate of 7 per cent for the first five years, and 7.5 per cent in the final three years of the loan.*

Italian exporters are expected to finance the difference of 100 basis points in the first five years, and 50 basis points thereafter.

The loan, assembled with Mediocredito as lead-manager and with at least another nine Italian banks in the consortium, is intended primarily for Italian companies whose average contracts are worth around $1m *(£709,000).*

The credit line is likely to be made available either in US dollars or European Currency Units (Ecus).

Italy has been trying for two years to correct what it considers a disproportionately high bilateral trade imbalance with the Soviet Union.

In 1984, Italy had a trade deficit of L4,300bn, due mainly to *higher Italian imports of gas* and oil and the fact that these were not offset by increased purchases of Italian goods.

Last year, Italimpianti, the *state-owned plant* engineering concern, won a $970m turnkey contract to build a steel tube plant at Volzhskiy, near the Soviet city of Volgograd.

Other contracts are pending for Italian companies and a banker involved in the Mediocredito loan said the idea was to encourage more Soviet purchases from Italian companies.

Channon hits at Japanese trade barriers

By Ian Rodger in Tokyo

THE Japanese tendency to defend every sectional interest, however poorly justified in trade talks, was *attacked* by Mr Paul Channon, the UK Trade and Industry Secretary, in Tokyo yesterday.

On the second day of his four-day visit to Japan Mr Channon told industrial leaders that Japan's resistance to removing unwarranted trade barriers in the shoe, confec*tionery and liquor sectors made* Europeans wonder about the seriousness of the country's new commitment to overall trade harmony.

Mr Channon appeared to make some headway yesterday with his own demands at a meeting with Mr Yasuhiro Nakasone, the Japanese prime minister.

Mr Nakasone said that Japan was seeking a solution to the liquor tax issue that would be satisfactory to both sides

US and European governments claim that the Japanese taxation system on liquor discriminates against foreign wines and spirits, but Japanese leaders say there is strong political opposition to changing the system.

Brussels heeds car import call

BY WILLIAM DAWKINS IN BRUSSELS

DEMANDS BY the EEC's main car producers for strict action to control Japanese car imports into the Community yesterday received a sympathetic hearing from the European Commission.

Senior EEC officials privately *met representatives of CCMC,* the car makers' leading lobby group, yesterday to discuss a report by the group calling for a "new and firm initiative" to *limit the growing penetration of* European car and light commercial vehicle markets by low-cost Japanese producers.

The CCMC also wants Japanese investment in new production plants in Europe to be stopped unless "such operations are fully integrated into the European motor *industry.*"

Yesterday's session *was* the latest in a series of meetings since the CCMC case was first presented to *four* EEC commissioners early this month by Sir John Egan, the group's president.

The CCMC points out that despite the strengthening of the Yen, Japanese car exports to the Community climbed 40 per cent in the first eight months of this year so that they now account for more than 10 per cent of the market.

"Recent *pledges of* moderation by Miti (Japan's Ministry of International Trade) do not adequately address the situation," the European manufacturers complain in a letter to Mr Jacques Delors, president of the Commission.

European producers, meanwhile, are struggling to make headway in Japan, with their share of the local market rising from 1.2 per cent to just 1.5 per cent between 1980 and 1985, the CCMC complains.

It acknowledges that Japanese car makers *do have natural cost* advantages, but accuses them of sheltering their own market by "reverse dumping," selling cars at break-even or less in Japan.

The CCMC also calls on the Commission to hasten the abandonment of barriers to a free internal Community car market,

Mitsubishi in Egypt power deal

BY OUR TOKYO CORRESPONDENT

A JAPANESE consortium led by Mitsubishi Heavy Industries (MHI) has beaten five foreign rivals to win a Y25bn (£107m) thermal power plant order in Egypt.

The 325 MW plant will be built at Asyut in southern Egypt on a turnkey basis. MHI will be in charge of engineering and the construction of the boilers, while Toshiba will be responsible for the turbine generator.

The plant is scheduled to begin operation in February, 1990.

The Japanese consortium, which also includes Mitsubishi Corp, said it outbid Bechtel of the US, KW and BBC of West Germany, Ansaldo of Italy and Alsthom of France on the strength of a Japanese Government yen loan to Egypt and credits from Japan's Export Import Bank.

● Mitsubishi Heavy Industries has signed a new agreement with Westinghouse Electric Corp, on joint development and sales of combustion turbines, it said yesterday, Agencies report

Under the terms of the new agreement, Mitsubishi will move from a license producer of Westinghouse products to a co-partner in the development of combustion turbines.

Kuala Lumpur shelves gas pipeline plan

By Wong Sulong in Kuala Lumpur

MALAYSIA has shelved plans for a ringgit 1.2bn (£324m) pipeline network to supply natural gas from the east coast to Singapore and to power stations on Malaysia's west coast.

Raja Mohar Bin Raja Badiozaman, chairman of Petronas, the national oil company, said the government had decided not to go ahead with the project, *after reviewing its budget deficit* and considering the low prices of oil and gas.

"With oil prices so low, we do not think the project *is* viable at *present,*" he said. He added that it would be reviewed when oil prices were more favourable.

The project was proposed during the late 1970s, following the discovery of major natural gas reserves off Trengganu State. The government was to have announced the award of the contract last month for which Novacorp International, the Canadian engineering and construction *company,* was the favourite.

The project calls for a 750km *natural gas pipeline* to *be* built from Telok Kalong in Trengganu, running south to suply gas to Singapore. Another line would branch off at *Segamat to supply gas to power* stations on Malaysia's west coast.

US and India reach accord on textiles

US imports of textiles from India will be allowed to grow at a slightly faster pace under a tentative accord between the two countries, AP-DJ reports from Washington.

The new agreement, however, increases the number of products covered, the US Trade Representative's office announced.

The US considers the new accord particularly significant in view of forthcoming negotiations with China.

The five-year agreement, which will become effective on January 1 after it is signed next month, specifies an annual growth rate of a little more than 6 per cent. The existing accord allows textiles and clothing from India to grow by between 5 and 6 per cent a year.

Although India is only the 15th largest overall *supplier of* textiles to the US, it is the fourth-largest shipper of cotton apparel.

The higher growth rate goes *against the general* trend of recent bilateral textile accords concluded between the US and supplier-nations.

But the concession was necessary, officials explained, to persuade the Indians to go along with US import limits on silk blends and products made of ramie, a linen-like fibre.

Turks call for check on Algeria payments delay

By David Barchard in Ankara

THE TURKISH Exporters' Union has asked the Government to look into a payments backlog of nearly five months for Turkish companies exporting to Algeria.

Turkey has been trying to increase its trade with Algeria in the past year, following the crumbling of its major export markets in Iran and Iraq.

Algeria is expected to supply large amounts of natural gas to Turkey as a backstop for the Soviet natural gas pipeline which will link Ankara and Istanbul with the Soviet natural gas grid from 1988.

One leading Istanbul exporting house says it is turning away export orders from Algeria until payments are resumed and advises other companies to do likewise.

Failure to implement a banking agreement signed this autumn between Turkey and Algeria is being cited as a partial explanation for the Algerian payment delays.

AMERICAN NEWS

Four convicted over New York bribery scandal

BY CHARLES HODGSON IN NEW YORK

ONE OF New York's most powerful politicians has been found guilty, along with three others, of bribery and racketeering in the city's biggest corruption scandal for decades.

Mr Stanley Friedman, the head of the Bronx Democratic Party and a former deputy mayor, faces a maximum 50 years' prison sentence and a $1m fine for his part in a corruption ring centred on the city's parking violations bureau, which is responsible for the multi-million-dollar job of collecting New York parking fines.

Mr Friedman, who had been a prominent Democrat powerbroker since taking over the Bronx party in 1978, was found guilty of acting as a middleman for a $30,000 bribe and holding a bribe of $1.5m in stock for himself and the late Mr Donald Manes, the Queens borough president, who committed suicide in March after the scandal came to light.

It was alleged that parking bureau officials took bribes from certain companies to ensure lucrative contracts for collecting fines and towing illegally parked vehicles.

Convicted with Mr Friedman were Mr Michael Lazar, former city transportation chief, Mr Lester Shafran, the former parking bureau director, and businessman Mr Marvin Kaplan. All four have said they will appeal.

The stock bribe was paid by Mr Kaplan's Citisource company to ensure that it won a $22.7m contract from the parking violations bureau for a hand-held computer ticketing machine. Mr Friedman was the largest individual shareholder in Citisource.

One clear winner to emerge from the trial has been the prosecutor, Manhattan US Attorney Mr Rudolph Giuliani, who was responsible for securing the prosecution of leaders of an alleged Mafia crime commission earlier this year.

Mr Giuliani has been mentioned as a possible state Republican candidate following the widespread publicity surrounding the racketeering cases.

Sao Paulo stock exchange falls sharply

By Ann Charters in Sao Paulo

THE Sao Paulo stock exchange yesterday registered its single largest decline since the Cruzado Plan was introduced last February, as the Bovespa index fell 7.5 per cent.

Market analysts say that the market is reacting to recent dramatic rises in interest rates and general uncertainty about the direction of the economy in the wake of the Government's most recent measures announced last Friday.

Interest rates on banks certificates of deposit yesterday broke 100 per cent at an annualised rate and were over the 110 per cent level by midday for short-term deposits of 60 days.

A local market analyst said there was nothing wrong with the stock market, but that stocks could not compete with after-tax earnings of 4.5 to 5.4 per cent a month on bank certificates.

The stock index fell 14.4 per cent in the first two days of this week as businessmen and investors waited to see the effects of last Friday's price increases, the change in inflation calculations and numerous other measures contained in the 12 decree laws and 19 decrees regulating the latest Government adjustment to the Cruzado Plan.

Brazil devalued the cruzado yesterday by 0.12 per cent, the third such devaluation since last week's economic measures, AP reports from Rio de Janeiro.

The exchange rate was set at 14.159 cruzados to the dollar for sellers and 14.069 for buyers.

Mr Dilson Funaro, the Finance Minister, announced last week that Brazil would resume frequent "mini-devaluations" of the cruzado "whenever the Government deems necessary."

US monthly trade deficit falls in October

THE US monthly trade deficit shrank to $12.1bn in October from $14.7bn during September, the Commerce Department said yesterday, Reuter reports from *Washington.*

The Government had originally reported September's deficit as $12.6bn, much lower than yesterday's revised *September figure.*

But the reduced deficit for October was an encouraging sign for the economy at a time when attention has focused on the huge shortfalls the US has been recording with its trading partners.

The trade deficit in 1985 was $148.5bn and has been forecast to reach as much as $170bn this year.

The main reasons for the *improved trade performance in* October were an increase in exports, a higher agricultural products surplus and a big drop in oil *imports,*

It was the lowest overall monthly trade deficit since a $10.9bn shortfall in August 1985.

For the first 10 months of this year, the US trade deficit was $139.9bn, up from $119.7bn in the same period of 1985,

UN vote silences Alfonsin critics

BY TIM COONE IN BUENOS AIRES

NEW BILATERAL fishing agreements in the South Atlantic and a strengthening of the Argentine Foreign Ministry against its critics will be the most likely outcome of Tuesday's United Nations vote on the Falkland Islands dispute.

Mr Federico Storani, the head of the Foreign Affairs Commission in the Argentine Congress and a policy adviser to President Raul Alfonsin, said the vote "will leave us *quite free to sign new bilateral* fishing agreements."

Argentina signed fishing accords with the Soviet Union and Bulgaria earlier this year which include the fishing grounds around the Falkland Islands. This was the principal factor precipitating Britain's decision in October to impose a 150-mile fisheries conservation zone around the islands, and to lay claim to the marine and sea-bed resources up to a 200-mile limit.

This week's UN debate followed an almost month-long diplomatic offensive by Argentina against the British measure. The increase of nine votes in favour of the UN resolution, which makes an implicit call for negotiations on sovereignty, is seen in Buenos Aires as a highly successful result *and a blow for right-*wing domestic critics who have questioned the bilateral fishing accords.

A total of 116 countries voted *in favour of the resolution,* 34 abstained and only 4 voted against. The shift of two West European countries — Norway and the Netherlands — from absention to a "yes" vote is seen as particularly significant and representative of the growing criticism and isolation of the British Government's stance rejecting any negotiations on the sovereignty issue.

President Alfonsin "is very pleased and very much in agreement with the *successful* performance of the Foreign Minister in the United Nations," according to a Government spokesman.

*Argentina has been negotiat*ing with Japan and Spain for several months to sign bilateral fishing deals similar to those with the Soviet Union and *Bulgaria. According to industry* sources talks are also taking place between Aargentinian and Polish fishing companies with a view to future bilateral deals

Government may impose pay deal on teachers

BY JOHN HUNT AND DAVID BRINDLE

THE GOVERNMENT is expected today to announce legislation which would enable it to impose a pay and conditions settlement on teachers in England and Wales.

However, Mr Kenneth Baker, Education Secretary, made it clear to local authority employers' leader last night that there was still room for a negotiated settlement on the basis of modification of the agreement they reached last Friday with four of the six teaching unions.

The Government's wish to avoid imposing a deal, and the certain subsequent confrontation with the unions, was further underlined yesterday when Mr Malcom Rifkind, Scottish Secretary, offered negotiations with leaders of Scottish teachers.

This followed the declaration yesterday by the Educational Institute of Scotland (EIS), the union representing most Scottish teachers of a ballot majority of 84 per cent to reject the Government's offer of a staged 16.4 per cent pay rise and to resume strike action.

The union plans to call a one-day strike in all Scottish schools next Thursday, to be followed by a further campaign of selective disruption.

The legislation expected to be announced today will provide for abolition of the Burnham Committee teachers' pay negotiating machinery. It is expected, however, to also include reserve powers for the Government to override the Remuneration of Teachers Act 1965 and impose a settlement.

Mr John Pearman, the employers' leader, said last night that he would consider it a breach of faith if Mr Baker, who is expected to make a statement in the House of Commons today, went further towards imposition of a deal than merely outlining the reserve powers.

Mr Kenneth Baker

Mr Pearman and colleagues met Mr Baker for one-and-a-quarter hours last night. Afterwards, the employers said they had been given 48 hours to prepare a written statement for Mr Baker in support of the negotiated agreement, which is costed at more than the 16.4 per cent 15-month government offer to teachers in both England and Wales and in Scotland.

Earlier the Trades Union Congress (TUC) had urged Mr Baker not to impose a deal. Mr Norman Willis, TUC general secretary, said: "If the Government was to impose a solution, both on pay and on conditions, that told teachers where they would be and what they would be doing at any precise time, that would be the biggest extension of martial law since Poland, and they might come to regret it."

British trade unions 'in decline'

By Philip Bassett, Labour Editor

TRADE UNIONISM in British manufacturing industry is declining as a result of industrial change, according to a landmark study of British industrial relations published today.

The implications of the study's findings are important as trade unions continue to try to come to terms with a changing industrial relations pattern where remaining union strengths are increasingly concentrated in the public rather than private sector, and among white-collar rather than manual workers.

The importance of the study, jointly sponsored by the Department of Employment, the Economic and Social Research Council, the Policy Studies Institute and the Advisory, Conciliation and Arbitration Service (Acas), lies in its unique and careful charting of industrial relations over the recessionary period 1980-84. It covers a wide range of industries and sectors, involving nearly 2,000 workplaces and 4,500 management and trade union respondents.

The study, British Workplace Industrial Relations 1980–1984, was specifically designed as one of a series of policy tools examining changes over time. Consideration of a third study, which would be published at the end of the decade, is now under way.

Its results are extensive, and often – such as on the pattern of strikes and industrial action – run counter to what has been taken as conventional wisdom. The main findings of the study, which cost about £500,000 to conduct, include:

- **Trade unions.** Trade union membership fell sharply in private manufacturing, from 76 per cent of establishments to 66 per cent, although union coverage overall remained stable, principally because of a continuing growth in public service unionism.

The findings are indicative of the development, charted in the study, of an increasingly different industrial relations system in private manufacturing in response to the closure of many large, highly-unionised plants. Industrial relations in the public sector have remained much more free of change.

The survey says that in 1980 there were strong indications of increasing trade union involvement in labour relations at workplace level, but says that "few of these trends are apparent from our comparisons between our two surveys in 1980 and 1984 and many of them appear to have reversed."

- **Closed shop.** More than 1m fewer workers are covered by the closed shop at the end of a period in which legislation was introduced against it. The study says that "the steady decline in closed shop membership since the late 1970s seems in little doubt."
- **Shop stewards.** It records an increase in shop steward presence, putting their numbers now at about 335,000, and says that white-collar union representatives are now about as common as manual shop stewards. "The stereotype of the trade union representative as a manual shop steward in manufacturing industry evidently needs revision," the report says.
- **Industrial action.** Although strike activity appears stable, in contrast with the normal official figures showing a decline in strikes, within that there is a sharp increase in short strikes, and a decline in long ones, with an increase in strike activity among public service white collar workers and a decrease among manual workers in manufacturing.
- **Pay.** The coverage of collective bargaining has declined in manufacturing, and the survey also found a considerable growth in share ownership schemes.

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Top industrialists join taskforce

BY ANDREW TAYLOR

TOP BRITISH industrialists and senior executives in the City of London have joined a task force aimed at improving the sometimes tense and difficult relationship between financial institutions and industrial companies.

The task force which will operate initially for one year has been established by the Confederation of British Industry (CBI). It follows criticism by some delegates at the recent CBI annual conference who claimed that the City's obsession with short-term gains was damaging the long-term interests of industry and the economy.

Industrialists on the task force include: Sir John Clark, chairman and chief executive of Plessey; Sir Derrick Holden-Brown, chairman and chief executive, Allied-Lyons; Sir Hector Laing, chairman, United Biscuits; Sir Raymond Lygo, chief executive, British Aerospace and Mr Ronald Utiger, chairman of TI Group.

City representatives include: Mr Ron Artus, chief investment manager, Prudential Corporation; Mr George Gwilt, managing director, Standard Life; Mr Richard Lloyd, chief executive, Hill Samuel; Mr John Quinton, deputy chairman, Barclays Bank and Mr Ian Hay Davison, former chief executive of the Lloyd's insurance market and now adviser to accountants Arthur Andersen.

The task force will review the criteria by which company performance is assessed and the attitude of pension funds and insurance companies towards UK industrial companies in which they invest.

It will be expected to produce a series of recommendations on how to improve relations and communications between the City and industry, and will advise CBI members on how to improve the long term performance and international competitiveness of British industry.

Mr Davis Nickson, CBI president, who will chair the task force, said yesterday that he regarded its establishment as the "single most important event in my presidency."

The growing unease among some industrialists with the City, particularly over the recent spate of company takeovers and mergers was highlighted at the CBI conference when delegates split over a motion which criticised financial institutions for ignoring long-term considerations and taking a short term view on industrial investment.

Sir Terence Beckett, CBI director general, said yesterday that members were extremely concerned at what they described as "short termism," and that countries such as West Germany and Japan appeared to have a more effective way of doing things.

Scottish shipyard to shed 1,500 jobs

By James Buxton

SCOTT LITHGOW, the oil rig construction and shipbuilding yard on the Lower Clyde, announced yesterday that it is to reduce its total labour force by 1,500 workers.

The permanent workforce is to be cut by a voluntary redundancy programme from 1,500 to a core of 700, of whom 500 will be manual workers. A further 800 temporary workers or sub-contractors will lose their jobs.

Yesterday's announcement of job losses follows Tuesday's news of a cut of 800 in the 5000-strong workforce at the state-owned Harland and Wolff yard in Belfast.

Scott Lithgow, which belongs to the Trafalgar House Group, will face a severe shortage of work when the Ocean Alliance, a semi-submersible dri'ling rig being built for Britoil, is finally completed, well behind schedule, early next year.

Although Scott Lithgow was recently awarded a £12m contract to lengthen the containership Atlantic Conveyer, which belongs to Trafalgar House, this will not provide enough work to occupy the whole of the present workforce and the contract should be finished by next September.

Howe speaks up for EMS membership

BRITAIN'S membership of the exchange rate mechanism of the European Monetary System (EMS) cannot be postponed indefinitely, Sir Geoffrey Howe, Foreign Secretary, told industrialists and businessmen yesterday.

The tone of his remarks contrasted with the views of the Prime Minister, Mrs Margaret Thatcher, who told the Financial Times in an interview last week that she had ruled out full membership of the EMS until the economy was "stronger."

Mrs Thatcher said she would expect to reconsider the issue after the next general election. She said that one day Britain would go in but the economy was not "quite strong enough yet."

Sir Geoffrey, who was addressing the monthly meeting of the Confederation of British Industry (the employers' association) council did not directly contradict the Prime Minister but his tone suggested a much greater degree of urgency over the issue of full British membership of the EMS.

He told council members: "The phrase when the time is right (for full membership) should be seen as a declaration of intent rather than the reverse.

"It is a legitimate expectation of the business community that politicians should try to increase domestic price stability and international exchange rate stability. The EMS does represent a framework in which it would be possible to produce at least a measure of stability."

Sir Geoffrey, like the Chancellor of the Exchequer, Nigel Lawson, is a strong supporter of full British membership of the EMS. They believe it could shield sterling from at least some of the violent fluctuations typical of the last few years.

The downgrading of monetary target as an instrument of the government's anti-inflation strategy has, they believe, strengthened the case for taking the pound into the exchange rate mechanism, sooner rather than later.

- The CBI council yesterday crititicised Labour and Alliance policies on industrial relations and industrial democracy. Sir Terence Beckett, CBI director general, said that the policies, if introduced, would be extremely damaging to British industry which above anything else needed a period of stability on the labour relations front.

Cable and Wireless defends Japan bid

BY TERRY DODSWORTH

CABLE AND WIRELESS, the UK-based telecommunications group, responded sharply yesterday to suggestions that it may be defeated in its attempt to win a substantial stake in Japan's fast-growing international telephone service.

The company conceded that the Japanese Ministry of Posts and Telecommunications (MPT) continued to have reservations about Cable and Wireless's 20 per cent holding in International Digital Communications Planning (IDC), the consortium which is bidding to establish an alternative international telephone service for Japan.

But it added that there was "no reason to believe" that the Japanese Government did not appreciate the market objectives of the consortium.

Cable and Wireless's statement followed a flurry of speculation in London that the UK group was likely to be defeated in its bid to expand in Japan, where the international telecommunications market is currently worth about $1bn a year.

These rumours were sparked by reports from Tokyo that Mr Paul Channon, the British Trade and Industry Secretary, had been told that Cable and Wireless would not be permitted to take a major holding in a new international telephone group.

The alternative service is planned to supplement the monopoly international business currently operated by KDD. Manoeuvering for the contract has been intensifying recently because the Japanese Government is due to make a decision on the new structure sometime after the beginning of next year.

A second large consortium, ITJ, has tendered for the contract in opposition to IDC.

SE price errors caused by brokers' computer

BY ALAN CANE

PROBLEMS with an in-house computer system at brokers Greenwell Montagu caused a rash of misleading stock prices on the London Stock Exchange's share information service mid-price yesterday.

According to Greenwell's, a data processing problem on Monday night resulted in a number of inaccurate closing prices being put in to the Seaq electronic market information system from its own computer system.

Exchange staff spotted the errors early on Tuesday morning and were able to correct the overnight figures for the top 100 stocks which comprise the FTSE Index. Others remained uncorrected when the market opened, causing some confusion among dealers.

The errors had not affected trading, a stock exchange spokesman said, as only the mid-price information was involved. The level II competitive quotes screens had been accurate.

The Seaq system automatically checks quotes and prices which seem wrong by asking the dealing firm if it is sure it wants to put in that figure.

Union plea to extend Gulf War cover

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

BRITISH shipowners were yesterday asked by Numast, the union representing ships' officers, to declare a major extension of the Gulf War zone after attacks on three oil tankers near Larak Island, in the Strait of Hormuz.

The union said the latest incidents – on Tuesday – increased the number of attacks on neutral merchant shipping by Iranian and Iraqi forces to 245 since the Gulf War broke out in May 1981. At least 109 seamen have been killed.

An extension of the war zone would increase the area within which officers on British registered ships may refuse to serve. Officers who agree to sail into the war zone receive double pay and special insurance.

Mr Peter Le Cheminant, director of the General Council of British Shipping, said the request would be given serious consideration.

The council rejected a previous request for an extension after claims by the union that the area of conflict in the Gulf was spreading.

UK NEWS

Nuclear power closures 'would not raise costs'

BY MAURICE SAMUELSON

MORE than half the UK's 16 nuclear power stations could close over the next three years with minimal effect on UK electricity supply and costs, says a report urging large-scale expansion of the coal industry as the main fuel source of the electricity industry.

The report, by Mr Stephen Fothergill, a Reading University economist, adds that all nuclear plants could close by the end of the century and that at least 25m tonnes of new colliery capacity should be developed to avoid large-scale coal imports.

Mr Fothergill, whose study was commissioned by the Barnsley-based Coalfield Communities Campaign, says the closure programme could be far less painful than the electricity industry argues and that figures presented by the Central Electricity Generating Board (CEGB) were "intended to show alternatives to nuclear power in the worst possible light."

While agreeing with a recent study by the Greenpeace environmentalist group that phasing out nuclear power would probably not add more than 10 per cent to electricity prices, he adopts a longer timescale for the proposed closure programme.

The Greenpeace report, issued in September, had claimed nuclear power could be shut down over four years without power cuts. The CEGB had called that proposal "ludicrous in terms of electricity generation and irresponsible in terms of its effects on the UK economy."

According to Mr Fothergill, whose report appeared yesterday, the nine Magnox power stations could close over the next three years, without a need for direct new replacement capacity.

The Advanced Gas-cooled Reactors (AGRs) would close between 1995 and the year 2000 as replacement coal-fired power stations were completed. Some 8,000 MW, which could be provided by three 2,000 MW stations, would be needed.

Although nuclear plants are cheaper to operate, replacement coal-fired capacity would be cheaper than nuclear, requiring some £550m worth of investment a year compared with the £680m spent last year by the CEGB and South of Scotland Electricity Board on nuclear construction.

Coal-fired stations could even produce cheaper power than nuclear if coal prices continued to weaken instead of rising sharply in line with CEGB predictions, Mr Fothergill claims.

Phasing out Britain's nuclear power stations, by Stephen Fothergill; 64 pages; £10 from Coalfield Communities Campaign, The Enterprise Centre, Pontefract Road, Barnsley S7 AL.

Tricentrol shuffles board

BY LUCY KELLAWAY

TRICENTROL, the struggling UK independent oil company yesterday announced measures to reduce and alter the shape of its board, in accordance with the cuts made in the size of its workforce.

Mr Hamish Orr-Ewing, and Mr Rex Chester, both non-executive directors, have resigned from the company, while Mr John Raitt, who was responsible for Tricentrol's activities outside North America, will become managing director. He will take over from Mr Roger Smith, who will remain as deputy chairman.

The reshuffle coincided with a board meeting held earlier this week which decided that Tricentrol would concentrate its efforts in the UK, after the recent disposal of its US interests.

Philip Stephens reports on the National Institutes Economic Review

Sombre view of economic prospects

BRITAIN'S output is likely to rise by 2.4 per cent next year after the 2.5 per cent increase expected for 1986, and the growth rate will then slow to 2.1 per cent in 1988, the National Institute for Economic and Social Research forecasts today.

In its latest Economic Review the institute predicts that this relatively modest growth rate – slower than that of all of Britain's main competitors – will be accompanied by a widening trade gap and higher inflation.

The expected pace of output growth will also not be enough to have a major impact on employment levels. The number of people deemed eligible for unemployment benefit, however, could fall by as much as 200,000 next year because of the expansion of government jobs schemes.

Within this relatively sombre assessment of economic prospects the review does foresee an improvement in the fortunes of Britain's manufacturing industry. With a weaker pound leading to significant competitive gains, industry should be able to take advantage of faster world trade and be able to compete better in the domestic market, the institute says.

After virtually no increase this year, manufacturing output is forecast to rise by 3.6 per cent in 1987 and by a further 2.8 per cent in the following year.

Buoyant consumer spending is likely to remain the main engine of growth next year, boosted by tax cuts of around £2bn in the next budget. The review forecasts, however, that rising inflation will gradually depress the growth of real earnings in the second half of the year, while stronger exports and some pick-up in investment should produce a more favourable pattern of growth.

The Government's recent decision to raise the level of planned public spending over the next two years marks "a significant departure from previous policy" and foreshadows a loosening of fiscal policy.

But the institute adds that there should not be serious problems in financing additional borrowing, as on present trends it would be no higher as a proportion of national output than in the first five years of the present government.

It voices more concern over the considerable deterioration in Britain's trade position, predicting a current account deficit of £5.6bn in 1987.

The review says that the more competitive position of Britain's manufacturers following sterling's depreciation should allow them to regain some of the share of overseas markets which they have lost this year. Exports of goods and services may rise by around 4 to 4.5 per cent in volume terms next year.

That increase, however, has to be set against the surge in imports which has resulted from the current consumer spending boom. "An exceptionally high proportion of the increase in expenditure on consumer durables seems to have been absorbed by imports", the institute says.

It cites figures for the third quarter of this year showing an increase in imports of manufactured consumer goods of 18 per cent while domestic output of the same items was virtually unchanged.

On those trends the volume of imports may be nearly 8 per cent higher in 1987 than this year. That would result in a deficit on visible trade of £12.6bn, only partly offset by higher invisible earnings.

In normal circumstances the build-up of overseas assets over the last few years would make it entirely reasonable to run a deficit in the interests of higher output and employment, the review says. The worrying aspect is not so much the size of the shortfall but the duration.

The deficit is thus likely to act as a constraint on any additional measures of fiscal expansion which a future government might seek in order to reduce significantly the level of unemployment.

Turning to the outlook for prices, the review predicts that still-buoyant earnings growth and a sizeable increase in the costs of imports of both commodities and manufactures will put upward pressure on inflation.

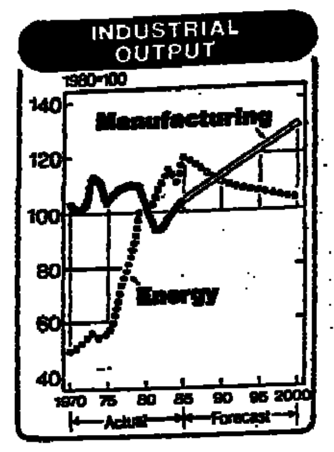
The institute forecasts that retail price inflation will average 5¾ per cent in the fourth quarter of 1987 compared with the present rate of 3 per cent and the official projection that it will remain below 4 per cent.

National Institute Economic Review, No 118. Annual subscription £45 (UK), £60 (overseas), 2 Dean Trench Street, Smith Square, London SW1P 3HE.

SUMMARY OF THE FORECAST

	Real GDP*		Home economy			Current balance (£bn)	PSBR (Fiscal year £bn)	World economy		
	Total	Non-oil	Manufacturing output†	Unemployment‡	Retail price index§			Real GDP*	Consumer prices*	World trade**
1985	3.8	3.9	3.1	3.12	5½	3.6	5.8	3.0	4.5	3
1986	2.5	2.5	0.1	3.18	3¾	-1.8	7.7	2.6	2.7	3½
1987	2.4	2.9	3.6	2.94	5¾	-5.6	11.6	2.9	3.3	4-4½
1988	2.1	2.4	2.8	2.90	6¾	-7.2	12.8	3.0	4.2	4-4½

* Output measure, percentage change, year on year
† Percentage change, year on year
‡ UK, wholly unemployed (excluding school leavers), fourth quarter, million
§ Percentage change, fourth quarter on fourth quarter
* OECD countries, percentage change, year on year
** Volume of total world trade, percentage change, year on year



Labour policies would boost jobs but fuel inflation

BY JANET BUSH

LABOUR Party economic policies could produce higher growth rates and reduce unemployment to 2m by the end of the decade. But this would be at the expense of higher inflation and the current account would continuously be in large deficit, according to projections carried out by the National Institute of Economic and Social Research.

Under broadly unchanged Conservative policies, growth would be less pronounced and there would still be a run of current account deficits, but inflation would be lower, according to the institute's model of the economy which has been used to look at prospects over the next five years.

Assuming various likely Labour policy objectives, the institute assumes first an unchanged exchange rate and secondly an 8.5 per cent devaluation.

In the first case, output is raised after two years by 2.5 per cent and unemployment would be cut by 500,000. Inflation would hardly have been affected in the second year but the current account would have deteriorated by about £4.5bn.

In the second case, growth would rise to nearly 4 per cent after two years and remain above that level to the end of the five-year period, unemployment could be 700,000 lower after two years but about 2.5 per cent would have been added to inflation.

Three policy scenarios are assumed under a Conservative government. In the first two, the exchange rate is constant but in the first there are tax cuts in each of the five years but none in the second. The third policy assumes tax cuts in 1987 and 1988 but none in later years and a 10 per cent real devaluation in the exchange rate in 1989.

In all cases, the current account is consistently in large deficit. The shortfalls are materially lower in the first case which assumes the tightest fiscal policy, but growth would only average 1.8 per cent per year and employment would gradually decline.

Under the influence of tax cuts, the economy would grow at an annual 2.2 per cent and unemployment would edge downwards.

In the third scenario, growth of non-oil gross domestic product would likely reach an annual 2.5 per cent and because demand would be slanted more towards exports and growth would be mostly in manufacturing, unemployment would fall more substantially. But inflation could rise to 10 per cent in the final two years.

Growth unlikely to reduce jobless

By Philip Stephens

THE underlying growth potential of the British economy over the next decade may be less than 2 per cent a year, well below the level needed to bring a significant reduction in unemployment.

In a series of articles on likely trends in the economy into the 1990s, the National Institute says that the scrapping of much industrial capacity, relatively low investment rates, and poor education and training among much of the workforce will all act as constraints on the growth of output.

An anticipated deterioration in the current account of the balance of payments will also act as a brake on growth, unless there are improvements in Britain's relative price competitiveness.

The institute's calculations suggest that in these circumstances the productive capacity of the economy over the next 10 years may be around 1¾ per cent per year. That would imply that unemployment will remain at about its present level or that it will be reduced by special measures that make little useful contribution to economic output.

Such a waste of resources, however, should not be regarded as inevitable, the institute says. It would be a reasonable objective of policy to aim for a growth rate in the economy significantly above that of productive capacity – perhaps of 3 per cent a year – over the next decade.

To achieve that, policy would need to focus on significantly improving the supply side of the economy and on ensuring an adequate level of domestic demand in areas which favoured British rather than overseas goods and services.

In particular, faster growth would need a much higher rate of investment in the country's capital stock and a substantial increase in education, training and relocation in order to ensure than the economy did not run into supply constraints.

Rolls-Royce workers oppose privatisation

BY JIMMY BURNS, LABOUR STAFF

ALL PARTY support for a campaign to stop the privatisation of Rolls-Royce is growing and is likely to stop the plan being implemented before the next general election, according to Mr John Smith, Labour's trade and industry spokesman.

Mr Smith and senior trade union officials made this confident prediction prior to a mass lobby of Parliament yesterday by employees of the company.

Mr Smith was the main speaker at a rally by more than 2,500 Rolls-Royce workers in London organised by the Confederation of Shipbuilding and Engineering Unions.

He said that if the "worst came to the worst" and the Government succeeded in privatising the company, the decision would be reversed by the next Labour government. But he promised that in the next few months his party and the Labour movement would fight "tooth and nail" to stop the Government's plans.

Support for the CSEU's six-month campaign against the Government has already been pledged by the Social Democratic Party and the Liberal Party at their party conferences this autumn.

Trade union officials said yesterday that they planned to meet a group of "dissident" Conservative MP's next week to finalise plans for an all-party motion against Rolls-Royce's privatisation to be debated in the House of Commons possibly before the end of the year.

According to union officials, support for the campaign has spread among 36 Conservative MP's who hold marginal seats in areas where Rolls-Royce or their main suppliers have factory sites.

Political lobbying has focused on reviving memories of 1971 when Rolls-Royce collapsed as a privately-owned company. It has raised the spectre of an eventual foreign takeover by either Japanese or US companies, which would lead to substantial job losses.

ELECTRONIC RETAILING PLAN IS ENDORSED

Banks usher in cashless shopping

BY ALAN CANE

BRITAIN's retail (clearing) banks are expected today to agree a plan which will make "electronic" shopping using plastic cards instead of cash or cheques a nationwide reality within a few years.

A decision had been expected in the summer. It was delayed because the banks could not agree how the scheme should be operated. There were fears that continuing delays might prejudice a £40m pilot project, the first stage of the national scheme, planned to go live in early 1988.

Now, after three months of feverish activity behind the scenes, the council of the Association for Payment Clearing Services (Apacs), the organisation set up under the terms of the 1984 Child committee report to regulate bank clearing, will today consider a modified version of the scheme.

It is thought likely that the council, representing all 12 UK clearing banks, will agree to the plan in its modified form. Details of how electronic shopping will work are not expected to be made public for another week.

The London and Scottish clearing banks have been making plans for electronic shopping (electronic funds transfer at the point of sale, or EFT/POS) for almost 10 years now, but have never been able to agree sufficiently among themselves to make significant joint progress.

All the leading banks, however, together with some retailers and one building society, have been experimenting with EFT/POS trials on a small scale.

Two years ago the banks announced they intended to go ahead together on a national scale and set up a jointly owned company, EFT/POS, to draw up the plan.

It is this plan which has been first delayed and now modified. Sources close to the development suggest the orginal scheme was too rigid and technologically detailed to win over the banks' senior staff.

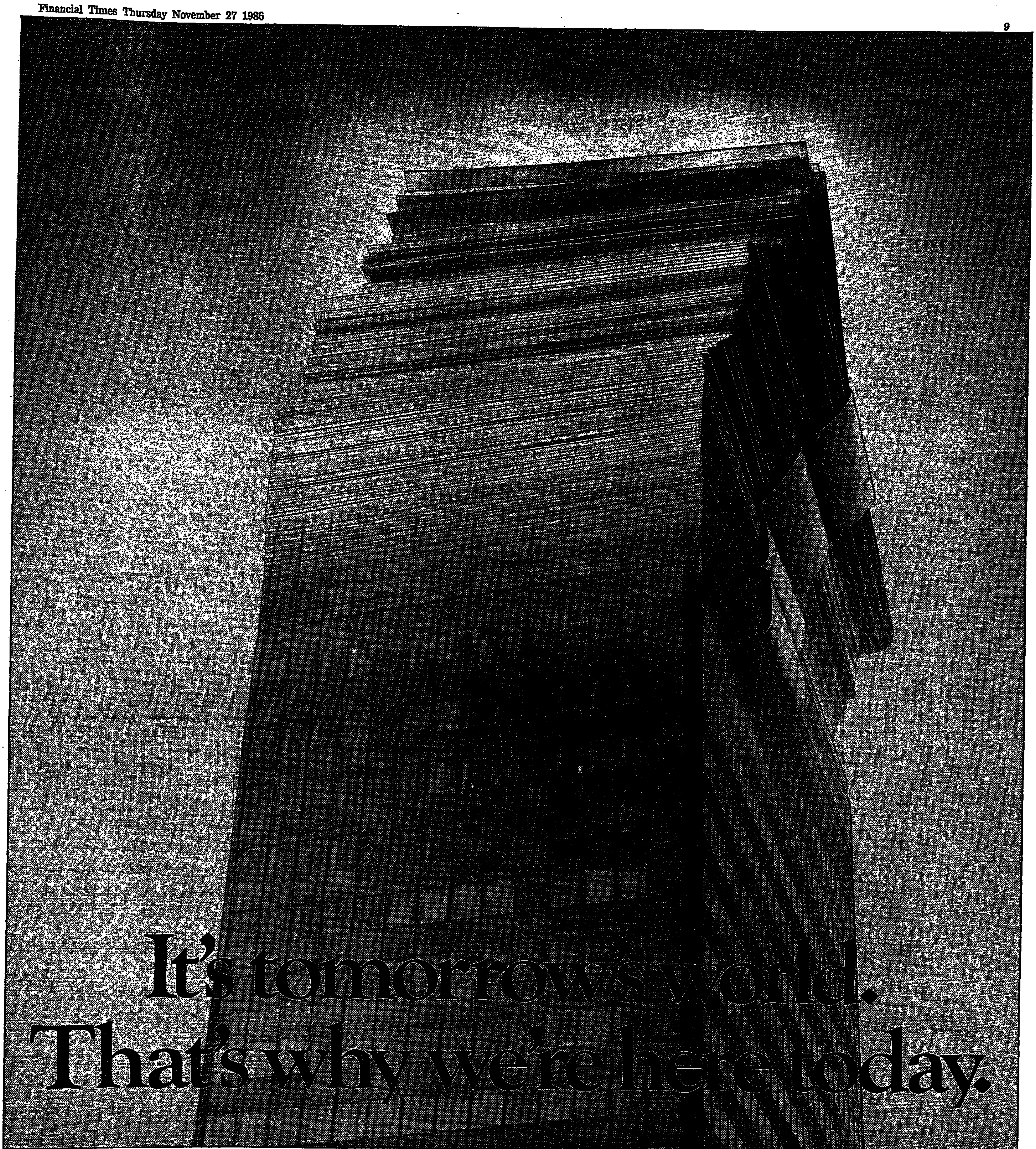
The modified plan is for a national electronic shopping network which will give each bank the opportunity to compete in products and services while moving at its own pace.

It is understood there has been intense pressure on the banks from retailers and government to come up with an acceptable scheme. Bank of England involvement was crucial, sources say.

Feona McEwan writes: Many British companies are backward in their marketing practices compared to their successful international competitors. "There is no longer any doubt that marketing performance is the Achilles heel of many UK companies," says Mr Tony McBurnie, director general of the Institute of Marketing in its annual report.

Far too little attention was given to the reasons why international competitors were damaging British industries, to how they developed new products, researched in detail, and aggressively marketed and dominated outlets that were once British.

Lessons from successful competitors had not been heeded, he said. Companies still talked of manufacturing costs and prices as critical influences on world markets.



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MANAGEMENT : Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

Product promotion

'Below-the-line' raises its profile

By FEONA McEWAN

CONSUMER habits are changing and marketers' habits are increasingly having to change to meet them. Shoppers in the US once spent an average of 30 minutes in the supermarket. Now they spend 20, according to a new study from the US Sales Promotion trade body. Of every dollar spent, three-quarters of it is the result of an on-the-spot decision. And the number of established and new products fighting to catch the consumer's eye, is proliferating. Added together, this means the business of in-store marketing—call it merchandising, advertising or sales promotion—is growing in influence.

This is as true in the UK as in the US. At the same time advertisers face ever-growing pressure on the marketing pound as their margins continue to be squeezed and the clarion call on all sides is value for money. Advertising effectiveness and measurability remains an uncertain business.

All these factors are contributing to the flourishing growth of what, in industry circles, are called below-the-line marketing services though practitioners prefer the term total communications services. This takes in everything from public relations, sales promotion, and direct mail, to design and market research. Most of these areas are currently believed to be growing at a pace faster than advertising. Direct mail, the UK's third largest advertising medium, is estimated to be growing around 30 per cent a year, for instance, though accurate figures for other areas, like sales promotion and design are yet to be calculated.

The effectiveness of services like direct mail and sales promotion are more directly measurable than their more glamorous big brother, advertising. And, argue their practitioners, they can be finely targeted and often for less money.

Three groups of marketing services companies (largely though not exclusively in below-the-line areas) that have risen meteorically in the past 18 months are WPP, Barham Group and Addison Consultancy Group. All three have rapidly amassed under a central financially dominant holding company, a posse of mainly non-advertising services.

What distinguishes them is that they have hard-nosed businessmen at the helm, with keen financial antennae who, while they may sympathise with the nature of the businesses they buy, wouldn't necessarily know, or want to know, where to begin writing an ad, say, or prepare a design brief.

Their role is mainly strategic, mapping out the group's future moves and implementing the grand plan they all share — to grow a major multinational services group. In the main the businesses are left to run themselves in all their glory, though with financial controls set by the holding company. All three groups share the view that the marketing world is polarising, with the big players getting bigger, with room always for the small company and the middle ground in between shrinking—a tune that Saatchi and Saatchi has sung for some years now.

Tipped by City pundits as ones to watch, all three have grown at a gallop in the past two years. Addison had two roots: one a recruitment business which joined the USM in 1983, the other a small corporate and graphic design company which joined the USM at the end of 1984. In under two years it has moved from profits of £2m to an expected £6.3m by the end of this year with a market capitalisation of £70m and staff of 1,600 in seven countries. This year alone it has made three major acquisitions: Chetwynd Streets, the advertising and public relations group; Taylor Nelson, the leading market research company; and Aidcom, the ailing international multidisciplinary design group.

WPP has moved in just over a year from being a £1.5m industrial holding company to a £70m marketing services group. The share price has soared from around 38p in May 1985 to around 642p. Under Rasor Communications, the subsidiary set up to develop the services strategy, the group has collected 10 companies so far this year.

From the start, Barham Group showed promise. In the first year of new ownership, 1983 (when it still traded as Dolland Photographic, before the name change) it was second best performer on the Stock Exchange, rising 1,142 per cent off a low of 26p to 323p. Now with 11 acquisitions in the past three years, the group has risen from losses of £400,000 in 1983 to pre-tax profits of £2.1m in the half-year to June 1986.

The movers behind Addison Group are Steve Smith (who founded the design company) and Michael Page (who founded his own recruitment company). They may describe themselves as failed schoolkids from modest backgrounds, and they may not yet have what their mothers call a proper job, but in building up one of the largest consultancy and communications groups in Europe in under two years, they must be doing something right.

There are currently six distinct "legs" to the group; design (five companies, including Allied International Designers with its overseas links in San Francisco and Singapore); market research; personnel services (in countries including the Netherlands, Belgium, France and Australia); financial; consumer; and technology. "We cater for all three aspects of the clients' business," explains Page. "The marketing end (advertising, PR), the chairman and chief executive officer (corporate identity, financial PR, annual reports) and personnel (recruitment). That is the customer, the employee and the world at large."

Page, a pragmatic no-nonsense individual, handles the "internal" group issues (management structure, targets, margins, training growth) while the urbane, disciplined and impatient Smith enjoys the "external" responsiblities (looking after the client base, the cross-selling of services and acquisitions). He aims to keep a balance on the six legs of the business to counter economic downturns.

The Addison management style is more hands-on than that of either WPP and Barham. It is not averse to consolidating its businesses ("where there is an appropriate marketing need and purpose, we'll consider the development of a worldwide identity," says Smith of the design division currently comprising five companies).

Explaining the rationale behind the group structure, Smith says: "In a group this size there is a responsibility to have well-balanced profit centres. Our direction is influenced by a client-driven response to provide the services we feel are becoming essential."

The guiding forces behind the Barham Group, Norman Fetterman and Tony Ward, spent 20 years as chartered accountants, ultimately as partners, in Leigh Carr. They launched into marketing services after many years of doing the accounts of, among others, service companies, and realised that they could run them better. Even now Fetterman finds it hard to credit the lack of financial know-how in many marketing service companies.

The challenge attracted Fetterman, an exact, decisive man, and together with Ward he bought up Dolland Photographics, an ailing publicly-quoted photographic retail chain with 27 outlets. Having disposed of this, they used the company as a shell for the renamed Barham Group.

Barham's interests fall into three main divisions: media services (market research, design, advertising); property services; and publishing (typesetting).

Reasons for concentrating on these three unrelated areas include having experience (in media services and in property) after 20 years' working as accountants in and for these fields. Fetterman is totally convinced of the one-stop shopping theory, arguing that people like to work with those they trust and have a working relationship with. Publishing came aboard simply because it was seen as profitable.

The Barham philosophy is to take on sound existing management that is used to standing on its own feet, operating a loose-knit federal system with minimal interference. "We don't profess to be able to run an advertising agency or sales promotion company but we're pretty good at the financial side," says Fetterman.

If colleagues of Martin Sorrell, Saatchi's former finance director, thought he was off his trolley last year when he threw himself full-time into the little-known public company, Wire and Plastic Products (makers of all things wire, including shopping baskets and trolleys) they must be wide-eyed at his progress now.

Together with partner Preston Rabl, formerly with stockbrokers Henderson Crosthwaite, the Harvard Business School graduate and Mr Fixit of the Saatchi empire (he oversaw the acquisition trail which took the company from a British-based advertising agency to a multinational marketing services group), he has won unstinting City support so far.

Of the 10 acquisitions this year, nine are marketing services (design, sales promotion, incentive / motivation, audio-visual) and one occurred in the US (Pace Communications, a property marketing consultancy).

"We think there's a great opportunity for specialised advertising and promotions companies offering specific audiences, specific products through specific channels of communication," Sorrel argues. Fast changing technology and increasing media fragmentation makes fine targeting possible "in a way that was not available 10 and more years ago."

Sorrell holds with the Saatchi experience of having two distinctly separate pillars, editorial and business. "Like advertising and editorial in the media, there is a tension which is healthy and works most of the time." While he is not scared of size "the better you are at anything the more likely you are to grow bigger," he believes in small units to allow employees and clients to function best.

BARCLAYS de ZOETE WEDD | BARCLAYS de ZOETE WEDD

Lloyd Northover's first proposal for BZW's new logo (left) and the final choice

Search for a corporate logo

David Lascelles explains how an identity was created for Barclays' investment bank

IF THE Big Bang has done nothing else, it has made the City of London acutely self-conscious. All the new financial conglomerates formed out of alliances of banks, stockbrokers and jobbers are trying to promote new corporate images to establish their name in the market and win customers.

One of the most prominent is Barclays de Zoete Wedd (BZW) the new investment bank which combines Barclays Bank with de Zoete & Bevan, the stockbrokers, and Wedd Durlacher, the jobbing firm. Apart from being one of the biggest of the new groupings, it has taken the greatest trouble to develop an identity and style for itself.

Newspaper advertisements, corporate literature—just about everything the group puts out—now bears its BZW corporate logo and "house style." This is the result of a £100,000 effort which was considered so important within Barclays that the final designs were approved by no less a person than Sir Timothy Bevan, the chairman.

The work began more than a year ago when Tony Bennett, who handles public relations for BZW, awarded the job to Lloyd Northover, a design firm near Drury Lane, in London's Covent Garden.

They faced a double challenge. The first was to create an image for a wholly new creature on the British financial landscape.

"It was not like doing something for, say, Courtaulds, where you can go and ask people what they think of the company," says Jim Northover, one of the firm's partners. "We were creating a 'first'. It was a unique concept."

The second was to devise an image and style that combined the varied—some people even say conflicting—elements of the BZW group: the solidity and geographical reach of a leading international bank, the fast-thinking skills of a stockbroker, and the wide market knowledge of the jobber. The style was to make BZW seem distinct from Barclays but still retain the association.

Lloyd Northover was inclined to start from scratch and create a design which broke completely free from the past identities of the individual BZW firms, and conveyed the idea of something exciting and new. Its early proposals showed a logo consisting of a solid square slashed by dynamic-looking diagonal lines with Barclays de Zoete Wedd in a trendy modern typeface underneath.

"We wanted to say that one plus one plus one equals four," says Northover. He particularly wanted to spell the name out because he felt there were too many three-initial companies around: ICL, BAT, TSB etc.

But this approach did not meet with the approval of Sir Martin Jacomb, BZW's new chairman. He wanted something that harked back more to Barclays and used some familiar styles. He even drew some designs himself. So the Lloyd Northover people went back to their drawing boards and restyled the basic design with a more traditional look.

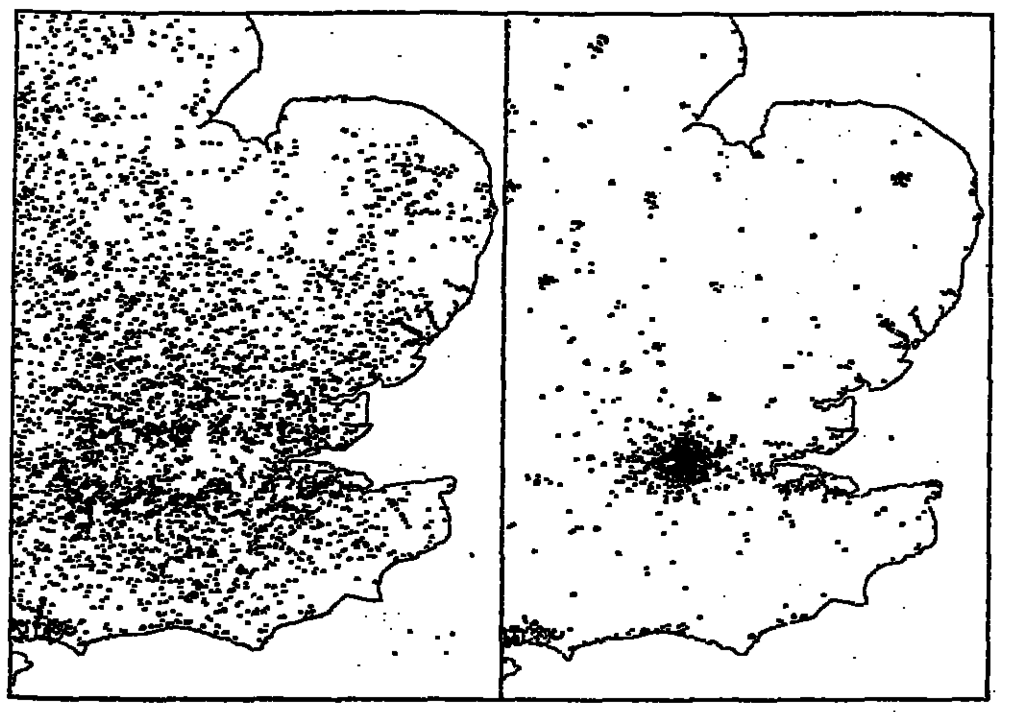
The end result is not strikingly different in shape. There is the same square with writing beneath it. But the style is more conventional. The square is Barclays aquamarine in colour, and the name of the firm is spelt out in Barclays typeface. Only the unusual style of the BZW lettering within the square makes it distinctive.

Once that had been agreed, Lloyd Northover designed an entire livery for BZW which will enable the firm to put a standard design on all its printed products.

Company Notices

JUGOBANKA
United Bank
U.S. $50,000,000
Floating Rate Notes due 1989
For the six months to 29th May 1987 the Notes will carry an interest rate of 8% per annum.
Coupon values will be:
$1,000 Notes $40.44 $10,000 Notes $404.44
Barclays Bank PLC, London
Agent Bank

Maps to where the money lies



THESE TWO maps, drawn by the Finpin computer, show the same area of the south east of England. The left hand map indicates the distribution of the most "financially active" according to Finpin's definition. On the right is the distribution of the most "financially passive." Each point represents an enumeration district, about 150 households, in which the majority of the inhabitants fit the definition.

Enumeration districts, defined by the National Census, are not equivalent to postcodes, so elaborate computer matching is required to achieve a useful result. As would be expected, the financially passive crowd the inner cities; the financially active are spread through the Home Counties.

How to pick the wealthiest pockets

Alan Cane looks at a new service which promises to match financial products to customers with unprecedented accuracy

PRETEND YOU manage a large retail financial institution. You have purchased, at a cost of £30,000 each, 50 machines to dispense your financial services automatically — robot cashiers-in-the-wall, as it were.

Your problem is where to site them. To recoup your investment and make money on your venture into electronics you have to be sure of reaching the right customers — the ones that will make most use of the automated cashiers.

The solution to the problem is suggested by a new service from Pinpoint, a small, London-based data analysis company best known for its computerisation of the UK's postal districts.

Pinpoint's special skill involves drawing together disparate sets of data to yield new information of marketing value. Its latest service, "Finpin," brings together the information collated in the 1981 national census, Pinpoint's own analysis of Britain's postal districts and financial information from Financial Research Services (FRS) 1985-86 survey.

FRS is part of National Opinion Polls; its surveys are carried out annually and examine the use of, and attitudes to, retail financial products.

Pinpoint extracted responses from the FRS survey for 20 key products and services including bank current accounts, deposit accounts, building society share accounts, credit cards and life assurance.

The Pinpoint computer holds in its memory a map of the UK broken down into the smallest definable postal area, the post code. Other market research organisations, notably Acorn and Demographic Profiles, use the same data, but Pinpoint claims that it has secured massively improved accuracy by analysing the postal maps all over again.

The company is able to superimpose maps of, say, social class or wealth onto this basic grid.

In the case of Finpin, Pinpoint used the 1981 census returns in combination with FRS data to draw up a list of 40 categories of "financial services customers."

Broadly speaking, 21 per cent of the UK population is financially active, according to Finpin's definition, because they not only use all the financial services going, they use them in multiples. Examples are wealthy families with older children and families with growing children and two working adults.

Some 25 per cent of the population are "financially informed" meaning they use all the services but only in single quantities — one deposit account, one secured loan and so on. 26 per cent of the population are financially conscious —people who use financial services sparingly and usually the basic "utility" type—"It is rare for this type of person to be both debtor and creditor," Pinpoint says.

The final 28 per cent are financially passive—people who have financial services like a current account wished on them rather than out of choice. Crowded council neighbourhoods with an ethnic population is an example.

The computer can mix and match the data to give, for example, a clear picture of the distribution of the kinds of financial services user in any area.

Ms Sue Wagstaffe, the Pinpoint consultant responsible for Finpin, says the service can tell a bank manager, for example, which category his customers fit into, and how they are distributed in his banking area.

It is possible to analyse the areas where customers are most likely to make use of automated cashiers or cashless shopping equipment, debit cards and credit cards, and insurance schemes.

According to Mr Gurmukh Singh, Pinpoint managing director, Finpin is the first example of a demographic marketing aid applied to a specific product or sets of products.

Pinpoint, Demographic Profiles and Acorn are all equipped to carry out general purpose studies — identifying areas where automatic washing machines might sell best or highlighting which households to send a leaflet with a special shampoo offer.

A number of leading financial institutions are already testing Finpin; many already have two or more staff working full time on extracting from the FRS data the kind of marketing information Finpin can produce in seconds.

Nature's way repeated to keep salmon in the pink

BY PETER MARSH

WHY ARE salmon pink? The ones that grow up in the sea obtain the colour by taking up a pigment, astaxanthin, found in sea water.

Other salmon, reared on fish farms, are deprived of this pigment and so would normally end up grey.

Grey salmon? Hardly anyone would buy them—which is why a man-made chemical called canthaxanthin is normally added to salmon feed to make sure the fish look healthily pink by the time they reach the dinner table.

In the light of increasing consumer resistance to anything that smacks of artificial additives, a small company in Cambridge is trying to engineer an alternative way to give salmon an acceptable hue.

Cell Systems, a four-person company formed in September, is devising techniques to produce in chemical factories naturally-occurring algae that secrete pink pigments.

Such algae—a good example is called haematococcus—could be added to salmon food in fish farms to ensure that the salmon are suitably coloured, but without the use of artificial ingredients.

The difficult part is to produce a mixture of algae which gives a large volume of the right kind of pigments. This can be done by a combination of techniques in biotechnology and chemical separation.

According to Dr Brian Kirsop, chairman of Cell Systems, the annual market for algae used in salmon feed could be worth £10m in a few years. Cell Systems plans to construct within a year a sitting room-sized plant that would turn out between 10 and 100 tonnes of the algae each year.

Consumer demand leads drive away from artificial additives

The algae would be formed from a mixture of starting materials such as glucose, vitamins and substances containing nitrates. Effectively, the plant would mimic the reactions that take place naturally in the sea to produce algae.

The company plans to construct the plant either with its own resources or in a joint venture with chemical concerns.

Unilever, BP and Norsk Hydro, which all make salmon food used by fish farmers, are among the companies which could be interested in this approach.

Algae for salmon food are among several materials for feeding fish that are under examination by the Cambridge company. Food for fish farming is a growing business, worth £500m to £1bn a year worldwide, according to Cell Systems. Increasingly, fish farmers are turning to natural ingredients for their foodstuffs as opposed to man-made chemicals.

In another venture, the Cambridge company is examining new ways to preserve naturally occurring organisms such as embryos by deep freezing. Embryos of some animals—cattle for instance—can be stored in this way fairly easily, and can be transported around the world in flasks in efforts to build up herds of cows with specially engineered genetic characteristics.

However, with other embryos, those of pigs for example, freezing is much more difficult. The freezing produces ice crystals which kill the embryos. With a variety of methods, such as electronically controlled cooling techniques to minimise ice formation, Cell Systems hopes to be able to store these organisms without difficulty.

Cell Systems, which is based on Cambridge's science park, was formed by Dr Kirsop with a colleague, Dr John Morris, who is the company's research director. Both are former research workers who became fed up with working in academic institutes.

Dr Kirsop was formerly at the Food and Agricultural Research Council's Food Research Institute in Norwich, while Dr Morris worked at the Cambridge-based Culture Centre for Algae and Protozoa, run by the Natural Environment Research Council.

The two men say they were fortunate in gaining financial backing from a variety of sources. They obtained £50,000 from both New Cambridge Research and JMI, two venture-capital concerns.

Technology transfer: UK sticks to specifics

BY JANE RIPPETEAU

TECHNOLOGY TRANSFER—a buzz phrase for how technology moves from the laboratory, or conception stage, to the marketplace as well as how it travels among different companies—is driven primarily by the need to exploit or acquire specific products. It is powered to a far less extent by companies' interests in broad or generic technology.

This is a principal conclusion of a survey of 174 British companies commissioned by the UK consultancy BASE International, of Milton Keynes, and carried out by David Ford and Casper Jongerius of the Bath School of Management.

BASE (an acronym for business applications of science and engineering) arranges equity financing, and also helps companies find and set up joint ventures or establish other technology transfer mechanisms. It is jointly owned by Royal Life Insurance, BP Pensions and others.

Anthony J. Lunch, BASE marketing director, says UK companies are less willing to engage in certain mechanisms. "Managers in British companies are not all that entrepreneurial," he says. "It takes a long time to get approval through the corporate structure."

For instance, he says minority investments for product development or marketing goals are uncommon compared to outright acquisitions. "To take a minority in some ways takes more confidence," he says. "If you buy outright, you can change the management or whatever you want. If you buy 22 per cent, you can't."

The BASE study, called Technology Strategy in British Industry, included electronics, metal manufacture, mechanical engineering and processing engineering companies. Most had sales of under £5m; only four exceeded £100m in turnover.

About 60 per cent of the surveyed companies had had technology liaisons of some sort with other companies. But the actual instances of particular deals is less. Only 5 per cent, for instance, had taken a minority interest in another company to get access to its technology. Thirty per cent said they had been involved in a joint venture, and 18 per cent in a contract deal for research and development to get outside technology.

Over 60 per cent of the linkages had to do with the design or development of a specific product, according to the report.

It also concludes that technology transfer is least successful when a company is trying to exploit a technology developed in-house that does not fit in its customary markets or industries. Most of the initiative behind transfer deals comes from companies wanting to acquire technology; those possessing it tend to be passive.

Licensing, a long-used technique, is fairly popular. The report shows that a fourth of respondents had used it either to exploit their own technology or to acquire that of others. Seventy per cent of the surveyed companies said technology involved in outside deals was rarely or never given the protection of a patent.

BUSINESS LAW

The hidden barriers to trade in the EEC

BY A. H. HERMANN, LEGAL CORRESPONDENT

WHY SHOULD it be necessary for Mrs Margaret Thatcher, the Prime Minister, to appeal directly to her fellow heads of government in the EEC to get pharmaceuticals, forklifts and other industrial products moving across the national borders and to open the public sector purchasing to EEC-wide competition, when we already are supposed to have a common market? And if we had one, why was it necessary to promise us "an internal market without frontiers" by 1992?

One explanation is that both *the "common market" and the* "internal market" are legal paraphernalia used by the Brussels illusionists to paper over a basic economic contradiction of the Community which no amount of solemn declarations will charm away. The contradiction is between the need, on the one hand, to have a big European home market if European industry is to compete successfully with the American and Japanese, and, on the other hand, the understandable desire of the industrially weaker regions not to be completely de-industrialised after the protective barriers are removed.

In the absence of an effective regional policy which would subsidise the infrastructure in the less developed regions so as to make them equally attractive for new industries as the old established industry centres, it is hardly surprising that this fundamental contradiction results in a schizophrenic approach to the problems of the Community's internal market. This was manifested clearly at a conference convened last week in Brussels by CCMC and CLCA, the *two* leading organisations of the motor car industry in the Community.

Speaker after speaker emphasised the urgent need for a simplified production programme if the European automobile industry is to compete successfully with the Japanese, and regretted the multiplicity of models and types made necessary by the variations in national, fiscal and safety requirements—variations which member governments maintain primarily at the behest of the enterprises which these speakers represented.

The EEC has so far adopted 41 harmonisation directives for passenger cars—three further directives which would be necessary to complete a Community-type approval system have not yet been agreed. The opposition to completing the system seems to come mainly from countries which, like France, have a quota for Japanese imports and fear that after completed harmonisation, Japanese vehicles could be imported into France from other member states in addition to the direct imports under the quota.

However, the system is not only incomplete, it is also only optional. Except in the member states where the governments have made the EEC directives mandatory—in the first place, Italy—the car manufacturers are free to choose between using the standards laid down in EEC directives and the alternatives offered by national requirements for type approval. The type approval granted on the basis of national regulations is valid only for the member state where it was granted. If the type approval is based on the EEC directives, it offers easier market access to other member states. The US-based companies, General Motors and Ford, make the greatest use of the EEC directives, but the European companies are *still* very shy of them.

The reason for this shyness may well be the detailed nature of the EEC directives which often come close to a production specification, leaving the manufacturer little freedom in choosing the best method of achieving the required standard of safety and environmental protection. Certain progress in unification of types has already been achieved, but Mr Tom Garvey, the very down-to-earth and businesslike director in charge of the Commission's department dealing with harmonisation of technical regulations, thinks that more could be achieved in a different way. Instead of providing in directives a rigid production specification, it is intended to specify in the future only the minimum standards of safety or of environmental protection to be achieved, leaving it to the manufacturers to achieve them in their own way.

There are two other reasons why motor-car makers prefer national standards to the optional EEC directives. First, it is more expensive to produce to the more demanding EEC standard and, second, the national type approval takes two to three times as long if the vehicle is manufactured according to the EEC standard.

Mr Garvey would like to see a mandatory unified European approval system applied equally in all member states. To achieve a common market in vehicles, there would be also need for harmonisation of taxation and removal of price controls. Will the Single European Act help to achieve this need? There were as many views on this at the Brussels conference as there were speakers. Some prefer to believe the solemn declarations and the reference of the Single Act to Lord Cockfield's white paper on "Completing the Internal Market."

There is, however, an important body of opinion which takes a diametrically opposed view of the Single European Act. This was first voiced by Mr Pierre Pescatore who, until his retirement last year, was considered the intellectual leader of the European Court in Luxembourg. He takes the view that the Single European Act is an enormous piece of disinformation *and that its real effect* will be to roll back the EEC Treaty provision and the judge-made law aiming at free circulation of goods, opening the possibility for protectionist policies of member states. This, he thinks, will not only choke the development of a real common market but will also cause external difficulties to the Community with respect to its Gatt obligations.

As Mr Pescatore points out, the amendment of the Treaty introduced by the Single European Act will enable member states to introduce unilateral prohibitions and restriction of imports on the basis of Article 36 and in addition also for reasons of protection of environment whenever the EEC harmonisation was adopted only by a majority vote. The Commission will be able to oppose such unilateral measures only if it can prove that they are a means of arbitrary discrimination and disguised restriction of trade.

Moreover, in drafting its proposals, the Commission will be obliged to take into account special difficulties of individual member states and to keep the harmonisation moving simultaneously in all sectors of industry, which will legalise the present horse trading. Mr Pescatore fears that by virtually extending the transitional period until 1992 and expressly depriving its provisions of any automatic application afterwards, the Single European Act has virtually rolled back the judge-made law which declared immediately and directly effective those measures which the Council of Ministers should have taken by the end of the transitional period but did not.

This view was contradicted at the conference by the former president of the European Court, Baron Jos Mertens de Wilmars. Though not using such words, he made it clear that he thinks that Mr Pescatore talks rubbish. The members of the European Court whom *I questioned* were rather more restrained, but Lord Mackenzie Stewart its president, made it known that he could not envisage that the Court would give up the rules which it formulated to safeguard free movement of goods.

This contest of opinions between the judges was echoed by other lawyers. Dr Martin Seidel of the German Federal *Ministry of Economics took* a balanced view, hoping that the Single European Act will speed up harmonisation but at the same time fearing its protectionist elements. "The future development is, however, burdened by some risks and uncertainties;" he *said,* "so that the interpretation will depend to a considerable extent on cases to be decided by the European Court."

In other words, no one knows what will happen, except that the Brussels lawyers will surely have a lot of fun.

Our future seems to be in the hands of the European Court, but even the talent which this august body has for rewriting treaties may not be enough for bridging the basic fault in the Community policy. Only a really effective regional policy, helping the less developed regions to keep in step with the more industrialised, will convince member states that they can do without hidden barriers to trade.

APPOINTMENTS

Thorn EMI Electronics has new managing director

Mr John L. Hakes has been appointed managing director of THORN EMI ELECTRONICS. He was managing director of Plessey Radar and Plessey Sensors. He succeeds Mr Tom Mayer who took over last April as chief executive of the Thorn EMI technology group. He will report to Mr Mayer who remains chairman of Thorn EMI Electronics.

★

Mr Alex Gillies has joined the board of the British Linen Bank's commercial property development subsidiary, BRITISH LINEN ASSETS as a non-executive director.

★

Mr Richard A. Shortway, publisher of American Vogue, is moving to London early next year at his own request and will become publishing director of British Vogue and a director of CONDE NAST in the UK.

★

Mr Quinton Hazell has been *appointed a non-executive director* of AEROSPACE ENGINEERING. He will also work as a consultant for the company. He is a director of Hawker Siddeley Group, Foreign and Colonial Investment Trust, Banro Industries, British Law Executor and Trustee Co (CI) and president of Supra Group.

★

Mr Richard Greenwood has been appointed to the board of *PIMS LONDON.*

★

Miss Debra Perry has been appointed company secretary of COMPUTER AUTOMATION.

★

FIXIT, manufacturer of adhesive systems, has appointed Mr Mark Mallinkie as its managing director.

★

Mr Tim Levett, corporate finance executive, has been appointed to the board of NORTHERN INVESTORS SERVICES, corporate finance subsidiary of Northern Investors Co.

★

Mr Michael Dirkin has been appointed managing director of LINGARD ENGINEERING, Standard & Pochin and Watkins & Watson—the companies which form the engineering arm of the Lingard Industrial Holdings Group in Wareham, Dorset. He was managing director of Crocker (a BTR subsidiary in the Pascon Group).

★

Mr Hamish Orr-Ewing and Mr Rex Chester, non-executive directors of TRICENTROL, have resigned. Mr John S. Raitt has been appointed managing director in place of Mr Roger J. Smith who will remain deputy chairman. Mr Raitt, who has been responsible for activities outside North America since 1983, has been a member of the board since 1985. Mr Humphrey R. Harlow, company secretary, has decided to take early retirement and will be replaced by Mr Paul M. Smith who has been Tricentrol's general counsel for the past 12 years.

★

M. E. BOILERS, Peterborough, has appointed Mr W. F. Setchfield managing director and Mr D. J. Henson contracts director. Mr Setchfield will continue as sales-marketing director, and Mr Henson will retain responsibility for the completion of the company's contract for the supply of a coal-fired boiler plant to Tate & Lyle Sugar's Silvertown refinery.

★

Mr Michael Carnwath will be joining the board of LARPENT NEWTON & CO from January 1.

★

Mr J. F. W. Price has been appointed director and general manager of the specialised engineering division (including the flexible tank division) of MARSTON PALMER, from December 1. He succeeds Mr Michael Dudley, who is retiring. Mr Price was formerly director and general manager of the aerospace division. His successor is Mr R. J. Pearce, who took up the post from October 1. Mr Pearce was formerly manager for aircraft heat exchangers. Marston Palmer, Wolverhampton, is a member of IMI's precision engineering group.

★

Sir Alan Veale has been appointed chairman of ROSSMORE WARWICK. Sir Alan served on the main board of GEC for 13 years, and was managing director of GEC Power Engineering.

★

Mr John Bassam will be joining European Actuarial Consultancy Services (EURACS) on December 1. He was with Esso as benefits and compensation adviser for Esso Europe and benefits adviser for Esso Africa. EURACS is the European joint venture of Bacon and Woodrow and R. Watson and Sons.

★

Mr Roger Williams has been appointed a director of the AE Group's bearing specialist, THE GLACIER METAL COMPANY. He has also been appointed the general manager designate of Glacier's diesel bearings division.

★

Lord Lovell-Davis of Highgate has been appointed chairman of PETTIFOR, MORROW AND ASSOCIATES, in succession to Mr Philip Pettifer, who continues as managing director.

★

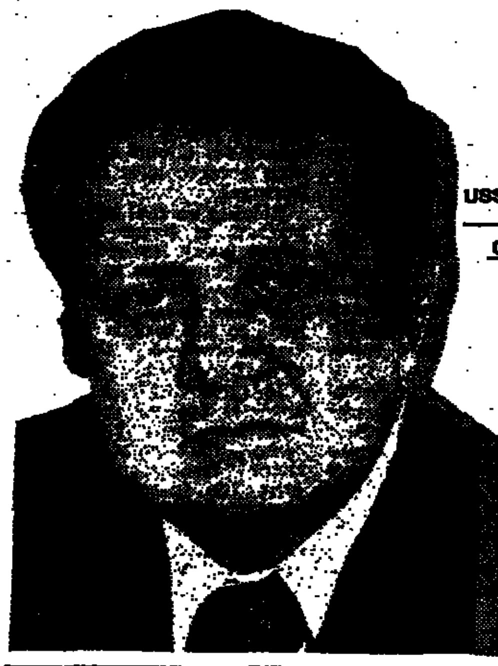
BEACON PUBLICATIONS has appointed Mr Anthony Fermiter as publishing director; Mr Neil MacKenzie as financial director and company secretary; and Mr John Cowen as a non-executive director.

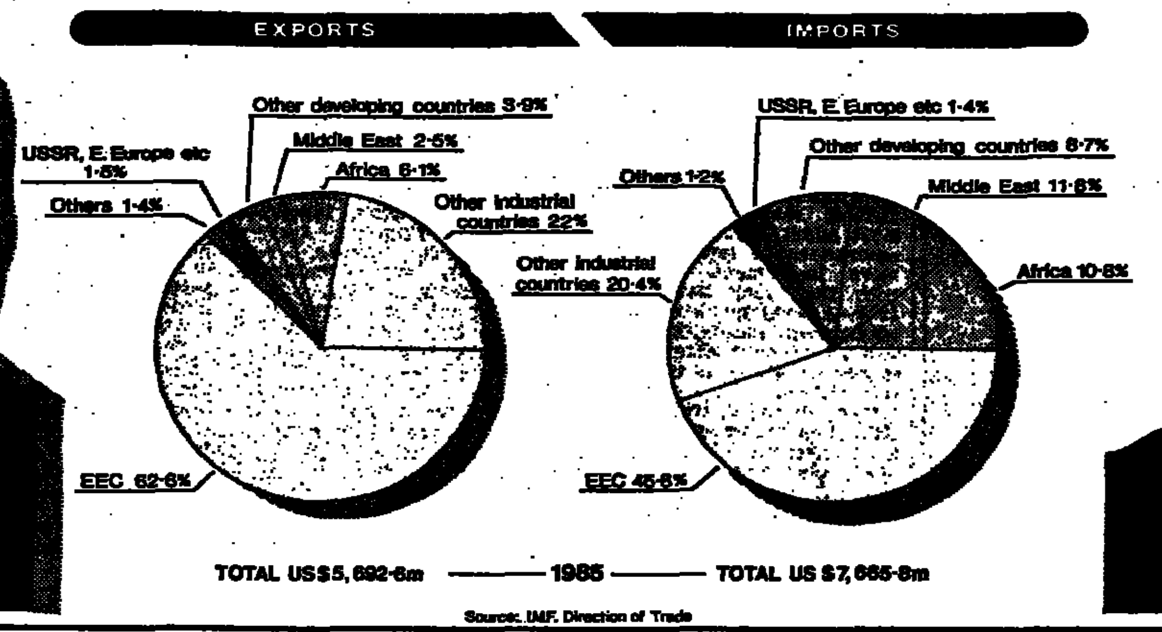
International Appointments

FINANCIAL TIMES SURVEY
Thursday November 27 1986

Portuguese Exports and Industry

Despite the enormous handicaps facing Portugal, the country is consolidating its economic successes and investment is being directed to bridging the trade gap





Source: IMF, Direction of Trade

Economically, Portugal has been surprised by its own success. Co-habitation between Mario Soares, the Socialist President (left), and Anibal Cavaco Silva, the centre-right Prime Minister (right), is working better than expected

A successful change of gear

By David White

PEOPLE SAID it would be chaos. Administratively ill-prepared for EEC membership, economically vulnerable, politically messy, with a new minority government and the prospect of yet more elections around the corner, Portugal started its first year in the European Community in a mood of some trepidation. But—staved off by good fortune, good sense, and an uncanny Portuguese talent for getting by—the worst never happened.

Politically, the threat of renewed instability has receded. "Cohabitation" between Mr Mario Soares, the Socialist elected as President in February, and Mr Anibal Cavaco Silva, his centre-right successor as Prime Minister, is working much better than expected.

Mr Soares evidently enjoys being President, and wants to be remembered as a peacemaker. The year-old Social-Democrat Party Government, which relies on support in parliament from ex-President Antonio Ramalho Eanes's newfangled Democratic Renewal Party, would still, according to the polls, fall short of an outright majority, while the Socialists, now led by former central banker Mr Victor Constancio, would still fall short of the Social-Democrats. The combination of these circumstances militates against anyone forcing elections just yet.

The modern Portuguese syndrome of "every time we start having a medium-term plan the Government falls" has been at least temporarily overcome.

Economically, Portugal has been taken aback by its own successes. Nobody thought that the first stage of introducing the EEC's system of value-added tax would go smoothly. It did. The recovery from recession begun in 1985 after the end of an 18-month stabilisation plan agreed with the International Monetary Fund, has been consolidated, and the cut in oil prices has provided Portugal with an unexpected $800m gift.

The balance of payments current account, which had been expected to swing back into the red after showing a surplus last year for the first time since the overthrow of dictatorship in 1974, stands instead to move more than $1bn further into the black, to between $1.5bn and $2bn. Apart from savings on oil and on dollar-denominated food imports, there have been big rises in tourism (where almost a third of foreign investment has gone this year) and in remittances from abroad.

The foreign debt, which reached $16.56bn last year, is expected to be cut by up to $2bn.

Exports in the first eight months of the year covered 78 per cent of imports, compared to 73 per cent in the same period last year and 64 per cent two years ago. Although in volume terms exports have been growing at less than half the rate of imports, the trade deficit was 17 per cent lower. Industrial output, which started picking up last year, is running more than 2 per cent over 1985 levels.

The government's aims are to keep the economy on a 4 per cent-a-year growth course, with investment sustaining its rate of increase in 1987 at around this year's ambitious target of 9-10 per cent.

Exports are seen rising at least in line with the expansion in world demand, although still not as fast as imports. Mr Miguel Cadilhe, the Finance Minister, expects the current account balance to stay in surplus next year, but with a more modest figure of about $500m.

Investment over the next six or seven years is to be directed towards bridging the trade gap. Mr Cadilhe believes Portugal can bring comparative advantages to bear in medium-technology industries — in both traditional and new sectors—and exploit unused opportunities in agriculture and fisheries.

The jobless rate has been kept down to just over 10 per cent, although there is still much "hidden unemployment," especially in the public and primary sectors. This, Mr Cadilhe says, will take several years of economic growth to reduce. Industries such as shoes, meanwhile, are short of trained labour.

Wages, the EEC's lowest, have gained in real terms since last year after losing value in 1983 and 1984. Inflation, currently around 13 per cent, is coming down towards single figures. The Government aims at 8-9 per cent next year, settling down at around 5 per cent a year from 1989 onwards. The Socialist UGT trade union, at least, has accepted the principle of gearing wage increases to the 1987 target.

Novelties in banking and financial instruments have been coming in waves. The list of shares at the stock exchange, though still a meagre 30, is 25 per cent longer than a year ago and more entrants are awaited. Company finances are benefiting from a sharp drop in interest rates.

Business is not only eager to find ways of tapping EEC funds, but is becoming rapidly more market-oriented. In an effort to drum up fresh entrepreneurial spirit, one of the nationalised banks has launched a project for promoting high-potential under-35s, providing these Portuguese super-yuppies with the eye-catching acronym of "jeeps."

All these signs of optimism do not detract from the enormous handicaps confronting Portugal: among them, a government sector weighed down by the cost of an accumulated public debt now equivalent to 65 per cent of annual gross domestic product—and expected to rise to 69 per cent, or Esc 3,300bn ($22bn) next year—and numerous productive sectors which feel they are entering the EEC unarmed (or even armless).

While the overall trade gap has narrowed this year, Portugal's deficit with the rest of the EEC until the end of August multiplied sevenfold to Esc 40bn—especially against that traditional bogey, Spain.

In the first weeks of membership, Portugal negotiated a special assistance package for its retarded farm sector, and it is now trying to negotiate a similar one for its industry, based on one of the protocols attached to its EEC agreement, providing for an "analagous" effort in this sector.

The European Commission appears to be wary of setting a precedent, however, and has asked Portugal to tie its plans in with current sectoral programmes in the Community.

The request drawn up by the Portuguese industry ministry would involve community grants of Ecu 1bn ($1.03bn) (some transferred from programmes under way, and some additional funds) but of a total Ecu 1.5bn scheme spread over seven years, coinciding with the transition period.

A new subsidy system would offer backing of up to a third for what a project offered by way of modernisation, innovation, job creation or regional development, and there would be more aid for energy improvements and restructuring. Completing this "new bible of industrial policy" are plans for a network of technology centres, predominantly in private hands, and for a quality drive.

What Portugal needs, in the view of Mr Fernando Santos Martins, the industry minister, is a kind of anti-drug treatment—withdrawal from dependence on the state, but done progressively.

The doctrine of industrial competition flourished neither before the 1974 revolution nor after it. The nationalisations of 10 years ago, enshrined in the constitution as the "irrevers-

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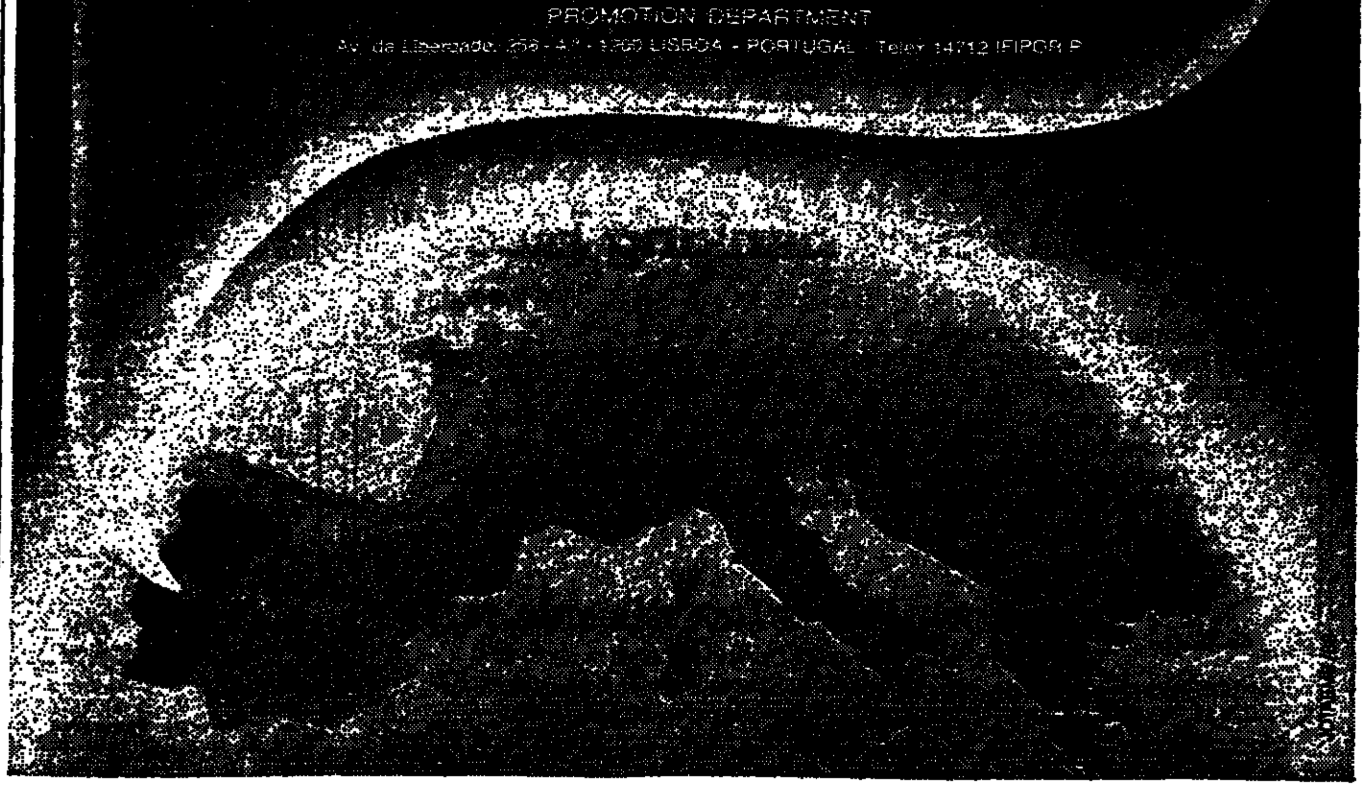


Portuguese Exports & Industry 2

Investment Instruments

The Government reins start to loosen

IF A MARKET is controlled by a finance ministry, can the law of supply and demand function efficiently? The answer is "no" in Portugal, whose capital markets have now progressed from nowhere to a modest somewhere but remain subject to the whims of technocrats who speak modern market jargon but practise old-fashioned legislative intervention.

If you can resign yourself to the premise that Portuguese Governments whatever their vintage dislike losing their grip on financial activity and that the urge to control what should start finding its own level distorts market forces, you must admit that investors and enterprises in late 1986 have more instruments to tinker with than they had in, say, 1983—a good omen for 98,000 enterprises, mostly small and weak, that must diversify and strengthen so as to meet EEC competition.

Many of the instruments are old hat in countries with freer, more inventive capital markets and financial systems but in Portugal, where until recently six months to one year time deposits were the main source of funds, they are major innovations.

The latest to be legislated for — nothing comes onto the Portuguese market without screeds of official paper—are Certificates of Deposit and Fiduciary funds, the latter particularly useful to venture capital companies.

The first venture capital company, Sociedade Portuguesa de Capital de Risco, joined the market this summer. Its aim is to boost small and medium enterprises. Its founder shareholders, many of them co-founders of other newish arrivals like investment banks and privately-owned commercial banks, testify to the breadth of Portuguese activity, insurance, packaging, shipping, textiles, tinned fish, timber, pulp (cellulose), sugar refineries, supermarkets, wine, wire-spinning and metalworks.

Aside from private industry, Portugal's largest nationalised commercial bank, Banco Portugues do Atlantico is a strong force in the new company alongside Baring Brothers, the Commercial Bank of Macau and an institution that is shifting into higher gear in the project financing race, the Luso-American Foundation.

Formed with a capital of $60m coming from US Government funds given to compensate Portugal for American use of Lajes air base in the Azores, the foundation is devoted to economic, scientific and cultural co-operation and has been swamped with more than 400 projects in search of a sponsor in everything from better pig breeding to industrial improvements.

Among the founders of the venture capital company are young entrepreneurs who benefited from the "Jeep" (Jovens Empresarios de Elevado Potencial)—young entrepreneurs with high potential programmes sponsored by the Banco Portugues do Atlantico and the Industrial Association of Oporto to encourage a new generation of management and risk-minded people to come forward with ideas and, if these are valid, get them backed.

The concept is novel in Portugal where old-established banks are rigidly conservative in their business lending and where many bright young men have been scared of forming their own enterprises by a climate that has not encouraged them.

As a young "Jeep" beneficiary recently said: "Not long ago, to get a business going in Portugal you had to be lucky in your choice of parents and even in-laws because only they were likely to bankroll your venture."

Looking at industry and finance it is evident that a more cosmopolitan generation open to different ideas is forcing changes in the business climate. In investment banks and investment companies, leasing companies and financial service companies, highly-competitive young men are making money for clients and company with a verve once unknown in Portugal.

Relying on real knowledge of markets at home and abroad where many learned the ropes before returning to a niche in new Portuguese ventures, the new professional operators owe little to the courtly bluffers or jargon-obsessed theoreticians of earlier times.

In their hands, parts of the financial system are becoming not only profitable but fun. Bond placements and new share issues, packages of attractive investment or loan opportunities are designed with a zestful marketing more common to Madison Avenue than the 18th century piles of downtown Lisbon.

New privately-owned banks like BCP (Banco Comercial Portugues) with a strong accent on youth, feel successful enough after five months' operations, to increase capital to Es 5bn ($32.5m), and open new branches constantly. The bank, like its equally-new competitors BCI and BIC, is drumming up business among small/medium enterprises who want red-tape free service and a variety of instruments.

Instruments like unit trusts are attracting funds at home and abroad to the point where they are oversubscribed. The first unit trust, Fundo Invest, managed by an offshoot of the financial services company CISF where Lloyds Bank and Sumitomo Bank hold shares, is under such pressure of demand it cannot satisfy customers' requests for units in a trust whose assets rose to Es 7bn in five months of operation.

CISF is now setting up a real estate trust company, the first of its kind in Portugal, while MDM, another successful investment/financial service company is preparing a unit trust in association with Banco Espirito Santo, the most solid nationalised bank.

Foreign banks in Lisbon have conspicuously led major syndicated escudo loans on the domestic market for national corporations that would have been impossible two years ago.

Seen from the outside the capital market bristles with health. But underneath is a weakness caused by a tiny supply that encourages speculative bursts. The Finance ministry takes months to approve a new share issue despite simpler procedures boosted by the Bank of Portugal that now refuses to get involved in vetting new issue applications. Slow flows of new paper fuels speculation that the minister, Mr Miguel Cadilhe, like a schoolmaster threatening unruly adolescents, swears he will "punish."

Behind the threat is a philosophy now losing favour as Portugal gradually opens its rusty-hinged economic doors to outside pressure: that ministers and officials are most qualified to decide who operates on a market. It will be hard to maintain this posture when free EEC capital movement begins after a protective transition lasting until 1992 but, while it lasts, it makes for an uneven market rhythm.

Diana Smith

Public Sector

Embattled bureaucrats resist radical surgery

REFORMS IN the public sector will be a little late—this year, next year and the year after. But perhaps after that the next long-promised radical surgery on the losses, debts, overmanning and underproductivity, inefficient management and unrealistic pricing that are symptomatic of the unhealthy public sector may be honoured.

By 1988 or 1989 two things will have happened:

(a) The constitution will have been reviewed. The marxist content extolling "conquests" (sweeping nationalisations) of the 1974 revolution will have been deleted. Portuguese politicians may have trouble finding consensus on most points but all save the communists whose strength dwindles yearly, and fellow travellers now agree that without deletion of ideological strangeholds when the constitution is revised in late 1987 or early 1988, Portugal's economy remains lopsided, constrained *and obliged to go on pumping* taxpayers' money and borrowed funds into defective structures that will be aggravated by the pressure of EEC competition.

(b) By that time EEC competitiveness pressures that will lay still barer the weaknesses of public industries and utilities nationalised irrationally in 1975 and ever since used as a repository for political clientele of one hue or another, will have also forced changes in the attitudes of authorities whose passion for centralised control gives the lie to liberalising rhetoric spouted at the drop of a hat.

Behind ancient or modern *facades of government buildings* swarms a large population of paperwork pundits bent on drawing up official opinions in triplicate on everything from soup to nuts, not to mention bolts. The more recondite and lengthy the opinion, the more months (or years) it takes to produce it (while citizens affected wait, and wait again) the more the submerged tenth of Portugal's active population feels it is in control.

This form of control began when Portugal's overseas empire began. Habits of half a millennium do not fade in a decade.

Ministers encourage this dilatory practice: they rarely resist the urge to join the most mundane of activities into excuses for decree-laws, despatches or sub-decrees.

Every government since radical 1975 has vowed to prune the public sector. In recent years *the leitmotiv has intensified*: the debts of the public sector, size of the civil service and the distortions produced by lack of concerted, rational measures to cut down one of West Europe's most rheumatic white elephants has bred a swollen public debt that in 1987 will rise to Esc 3,300bn ($22bn)—close to 70 per cent of gross domestic product.

Regardless of higher tax *revenue, EEC funds, oil price* and dollar weakness windfalls and their boost to availability of funds for better roads, schools, health services, social security, pensions and basic sanitation—all in shorter supply than elsewhere in Western Europe—the accumulated debts of public industries, utilities and the civil service it takes to shuffle papers that perpetrate excessive administrative intervention in the economy devour money that could be productively applied elsewhere.

Fortunately, constitutional blocks and official allergy to relinquishing petty controls are nowadays under such pressure that they must soon weaken.

In its year in office the Cavaca *Silva* Government has been hampered as its predecessors by constitutional constraints on major public sector changes. But it has also shown a fondness for intervention that clashes with its original vow that trouble-ridden public sector companies must now obey market forces and take their medicine.

In practice, the Government, when public sector enterprises —*nationalised banks for instance*—have come under market pressure from new competition, has arbitrarily altered the ground rules, distorting the market to cushion enterprises that feel threatened by new dynamism in their vicinity.

Such habits echo practices of bygone days whose law of industrial conditioning let manufacturers duck would-be competitiors by having the Government *block outsiders from the* market.

The present administration does not block. It bobs, gaining time, abruptly raising minimum capital requirements, demanding that newcomers compensate for entering what the Government deems a highly-profitable financial market by investing in areas outside their immediate scope.

It is a delicate paradox that West Europe's tiniest financial market demands a hefty entry fee—the equivalent of $16.5m—from a new bank, while the City of London where operations involving billions of Eurodollars are set up hourly, lets in a Portuguese bank for a couple of hundred thousand pounds. Such ironies have not apparently yet made their mark on the authorities.

Meanwhile the EEC's free right of establishment and free capital movement loom larger on the horizon each year. Deep in the administration are forward-thinkers striving to speed up change now for the sake of less shock effects later.

In this paradoxical climate public sector changes have been few in the last year. One bank Uniao de Bancos Portugueses, has been turned into a publicity-limited company where only public sector companies can hold shares. The Government argues that this will strengthen capital and increase autonomy of management.

Experience will tell if shifting ownership of capital from the finance ministry to companies controlled by the industry ministry makes a real difference. Two or three other banks *may follow this example.*

The Government was unlucky in its bid to quickly wind down CNP (Companhia Nacional de Petroquimica) the petrochemical corporation that ran up $1bn debts in five years. Parliament refused to ratify the decree-law ordering CNP's extinction .No one wants, so far, to buy CNP hardware and the problem may drag on until constitutional change helps to *shed inveterate losers.*

Quietly Quimigal, the chemical and fertiliser conglomerate, has consolidated its debt and begun to *rationalise an industrial* complex created by sudden 1975 nationalisation.

To the dismay of anti-smokers Tabaqueira, the nationalised tobacco monopoly is blossoming and held up as *an example* of why a diversified public sector is not a bad thing.

Those who think the public sector too large, diversified and unmanageable feel that companies or authorities are hanging on to enterprises not formally nationalised often with minority state shareholdings that could be put on the market, boosting much-needed market supply and boosting their capital. Control comes easier than concessions in the land of the embattled bureaucrats.

Diana Smith

Textiles

Prospects look brighter upmarket

TEXTILE PRODUCERS, based mainly around the industrial centre of Oporto in Northern Portugal, have been predicting for years that entry into the European Community, which took place on January 1, would immediately set in motion a wave of company collapses, mergers and industry-wide rationalisations that, in the *space of a few months, would* bring this vital industry to its knees.

Troubled though the industry is because of its reliance on high use of cheap labour, and in inherent inefficiencies in production, a "big bang" has not happened, nor does it appear about to, such is the range of labour-protective checks and balances in place to mitigate any immediate collapse of the industry.

The centre point of this is new legislation introduced on September 1, the Portgeuse equivalent of the US Bankruptcy Law, which means that Portuguese companies about to go to the wall may seek temporary protection from creditors before having to face bankruptcy.

Behind this is the Government's traditional paternalism towards employees. So weak are the country's social benefits to the unemployed that layoffs are a near impossibility. As Mr Antonio Ribeiro da Silva, secretary general of Gabinete Portex, the textile associations' group organisation, put it recently: "In this country you have to be completely bankrupt before you can lay off any employee."

A handful of bankruptcies have occurred, but not enough to *signal* any *rationalisation* of the industry, and, so far, no mergers have taken place.

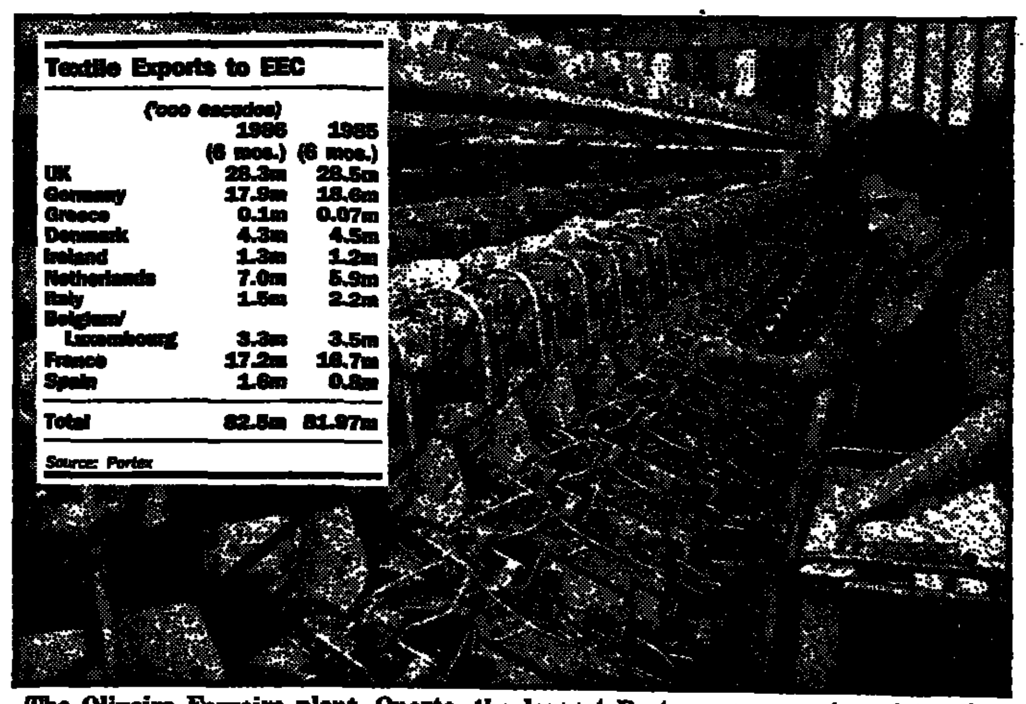
A mitigating factor is that interest rates have fallen sharply—they are now down to less than 20 per cent *which*, by Portuguese standards is equivalent to concessional interest rates—and are expected to fall further. Inflation, which has crippled the country for a decade, is also down to 12 per cent compared with annual levels of 25-35 per cent in recent years.

Textile Exports to EEC

('000 escudos)

	1986 (6 mos.)	1985 (6 mos.)
UK	28.3m	28.5m
Germany	17.9m	18.6m
Greece	0.1m	0.07m
Denmark	4.3m	4.5m
Ireland	1.3m	1.2m
Netherlands	7.0m	5.9m
Italy	1.5m	2.2m
Belgium/ Luxembourg	3.3m	3.5m
France	17.2m	16.7m
Spain	1.6m	0.8m
Total	82.5m	81.97m

Source: Portex



The Oliveira Ferreira plant, Oporto, the largest Portuguese exporter of textiles to the US

These factors have served to give many textile companies just enough breathing space to "muddle through," as one industry observer put it, in the short term in the face of rising labour costs.

Textiles is the most vital sector in Portugal's overall export performance and last year became the top exporting sector. It is also the largest employer, encompassing some 1,700 companies involved in export and providing direct employment to between 80,000 and 90,000 workers, and further indirect employment to some 200,000.

Total textile *exports* were worth 35 per cent of all Portugal's overseas earnings, that is, nearly $2bn of Portugal's total exports of $5.7bn last year.

Indicative, however, of the industry's structural problems is the fact that just five companies account for 90 per cent of the country's exports. These are led by Maconde Confeccoes, Textil Riopels, Textil Nortenha, Coelina Industriais Texteis and Textil Manuel Goncalves.

The smartest companies have sought to ease their cost pressures by boosting acquisition of programmable cutting machines, sharply reducing wastage of materials. A particular beneficiary of this is Lectra Systems of France, which has sold seven units to Portuguese manufacturers in the last year, compared with virtually no such sales a few years ago.

In the first half of this year, Portuguese textile exports to the EEC showed a *marginal* rise to Es 82.5bn from Es 81.97bn for the same period last year.

A particular weakness, however, has developed in the West German market, where sales for the period fell to Es 17.9bn from Es 18.6bn.

This is a harbinger of bad things to come because of what the Portuguese regard as excessive German imports of Turkish textiles, particularly strong in West Germany where so many "guest workers" are Turkish.

The US *market*, which has suffered from strict import curbs, has fallen in the six-month period to Es 7.1bn from Es 11.7bn last year. Similar setbacks have occurred in Portuguese markets among the European Free Trade Association and in Africa, where its former colonies such as Angola and Mozambique are near bankruptcy.

In total, for the first half year, worldwide sales have fallen to Es 119bn from Es 126bn. By itself this is not drastic, but it looms in seriousness when the year-end inflation rate of 14 per cent is taken into account.

"In Turkey, the EEC quota recently negotiated is nearly 10 times what *it is for Portugal* — and we are now in the Community," said Mr Ribeiro da Silva. In T-shirts alone, Turkey can expect *to ship to Europe* 15m shirts compared with 3.5m from Portugal.

Overall clothing sales in Portugal itself have risen, but the market, in revenue terms, is still flat, and has been subject to dumping at below cost by producers left with surpluses that otherwise would have gone in to exports.

Portuguese industry is now beginning to learn the lessons of moving upmarket. Its knitwear products are showing growth, and, given the frequent English-look of Portuguese businessmen, there is a trend to produce higher quality businesswear.

The *industry does* not foresee much competition in its domestic market from Europe in its mainstream business because of the cost advantages it still enjoys, at least in the short term. It also has not lost *sight of* the *all-important* Spanish market, which is now open given EEC entry and the fall of protective barriers of its most difficult trade partner.

Textile producers this year have staged three promotions in Spain, two of which were for clothes and one for tissue fabric. The experience was new, especially given that French, rather than Spanish, is Portugal's second language.

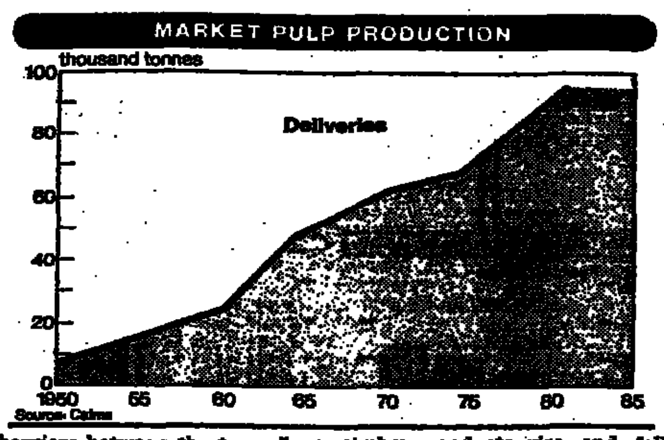
While two of the promotions were described as positive, a third, taking place in Barcelona, met with a virtual boycott by local textile producers and merchants, suggesting that Portugal is perhaps a *greater* threat than it had realised.

Portex noted that Spain, with a population of nearly 40m, is four times the size of Portugal and on a per capita basis has 2.5 times the purchasing power. Also, for each Spaniard, there is one tourist, and textile exporters are counting on this perpetual boom in Spanish tourism as a key outlet for their vacation wear *exports.*

Frank Gray

Pulp and Paper

Slow pace of rationalisation



SUCH IS the image conveyed by the wide beaches of the Algarve that one does not immediately think of Portugal as a land of forests.

Yet from the Spanish frontier near Viana do Castelo in the north to Lisbon nearly 300 miles away, vast areas are covered in trees. Its cultivable forest land covers 3m hectares, of which 46 per cent is pine, 40 per cent cork oak and 8 per cent eucalyptus.

It is in the processing of eucalyptus wood into high-quality paper that Portugal claims to be a world leader alongside Brazil and South Africa.

The biggest private company bleaching eucalyptus wood into sulphite pulp is Companhia de Celulose do Caima, or simply, Caima, whose parent company, Eucalyptus Pulp Mills, is quoted on the London Stock Exchange. Some 93 per cent of its shares are held by foreign, mainly UK, interests and 7 per cent by Portuguese interests.

Headquartered in Lisbon, its operations revolve around its main mills in Albergaria, south of Oporto, and in Constancia, north of Lisbon.

According to Mr Andrew Bailey, a Caima director, the company exports 93 per cent of its products—80 per cent to other EEC countries, and the balance to the Middle East and Australia.

Last year the company generated some £25m in turnover, leaving it with an after tax profit of £2.4m. Results in the first half of this year point to a repeat performance.

This is reassuring, for the entire Portuguese pulp industry—the main state-owned processor is Portucel—is operating at low yields. There are some 100 paper mills in the country and many are expected to go under through industrial rationalisation in the next few years.

At what pace this rationalisation will take place is one of those mysteries not even experienced Portuguese businessmen are able to answer—given the tough anti-redundancy laws and the fact that falling interest rates and the relatively easy availability of credit is giving some of them a stay of execution.

No such disagreeable thoughts trouble Caima, however, because of its overseas exposure and the growth of the Spanish market, made more feasible thanks to the entry of both Portugal and Spain into the EEC and the abolition of protective trade barriers between the two. Last year Caima exported 800,000 cu metres of its products, which also include kraft liner, to Spain.

It also counts among its important customers Wiggins Teape and Dickens and Robinson, both of the UK, and Arojmari in France.

Its installed mill capacity is 120,000 tonnes a year and it has undertaken a $6m a year programme of reinvestment in new labour-saving equipment aimed at pollution abatement and more efficient harvesting. The average life of a eucalyptus tree is 10-15 years, from which an average of four to five cuts can be taken before replanting.

Portugal's low labour costs give it a continuing advantage over foreign competitors. In addition, the closeness of the natural resources to the pulp mills reduces the high haulage costs that put an upward pressure on production expenses in countries like Canada and Sweden.

Even so it is not a business in which one can afford to be careless, given that the prices of timber products rise and fall like those of any other commodity.

Caima officials noted that the cost of its high-quality paper this year is $450 a tonne delivered. In 1974 it was $500 a tonne, and in between it has fallen as low as $250 a tonne, as it was in 1982.

Some of the company's investment has been in prime forest land and it now owns or leases some 20,000 hectares, of which 17,000 are producing sulphite pulp.

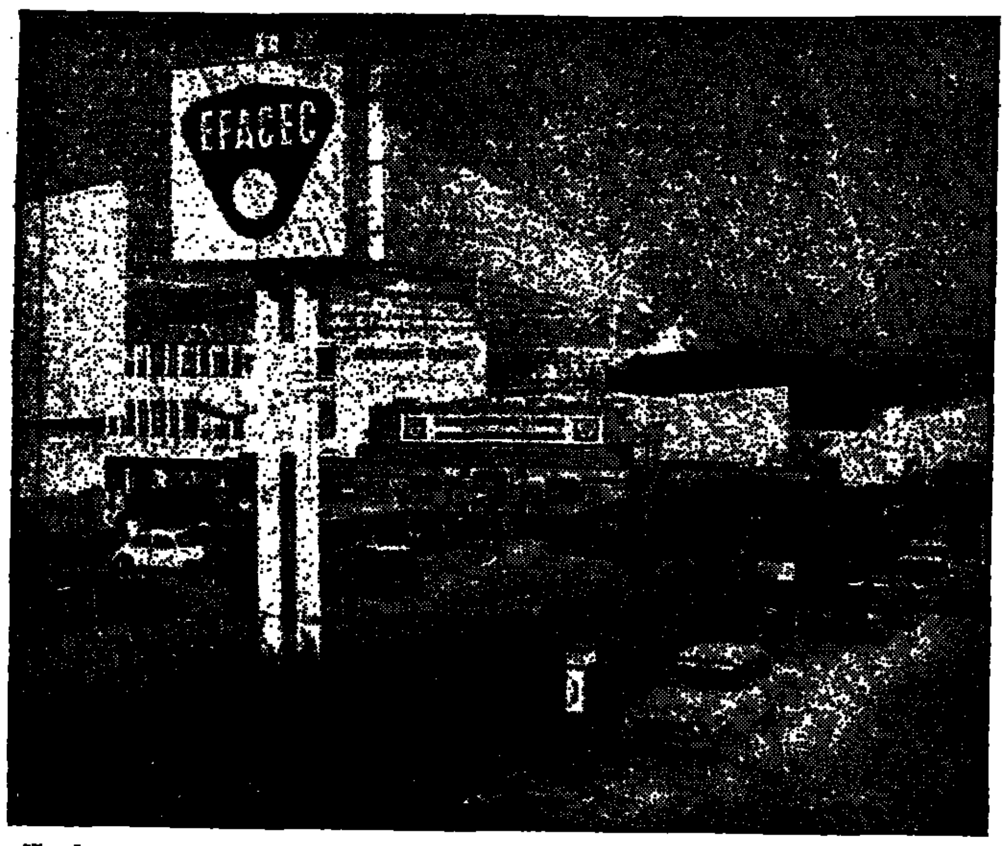
The company was founded in 1888 and until 1928 produced its pulp from pine. In the following 17 years the superior qualities of eucalyptus pulp caused it to phase out its use of pine.

Its Albergaria plant was the first sulphite mill to be built outside Sweden and the first anywhere to produce eucalyptus pulp. With that kind of experience, its officials believe that Caima is well placed to remain in the forefront of world output of its specialised products.

Frank Gray

Profile: Efacec

Trail blazer in robotics


Headquarters of Efacec, the Oporto-based electric motor, switchgear and transformer manufacturer

A HIGH technology company that is proving itself a model for Portuguese industry is Efacec, the Oporto-based electric motor, switchgear and transformer manufacturer.

The company, which is 64 per cent owned by Ateliers de Constructions Electriques de Charleroi in Belgium (ACEC), with the remaining shares in the hands of Portuguese interests, looms large on the fairly barren landscape of high technology companies in Portugal.

The country's manufacturing sector accounts for about 30 per cent of gross domestic product and employs 25 per cent of the labour force. To the chagrin of domestic planners, the sector is characterised by low technology and labour intensive production of particularly low cost, basic goods such as textiles, leatherware, cork, ceramics, food and drink.

This is a mould into which Efacec distinctly, and happily, does not fit.

Throughout this decade, the company has been set on a determined course to upgrade its various plants outside Oporto, and in the last year completed a three-pronged investment programme costing Es 1.75bn (£8.2m), making it the first robotised plant of its type in Portugal. This upgrading has centred on purchase of numerically controlled machine tools, robots and visual display units.

The company is nothing if not sanguine about its sales prospects. It notes that the Portuguese market for its equipment remains weak and that the battle for domestic sales will remain uphill in the short term.

It has an advantage, though, in that it is the country's main supplier for its range of equipment, owing to its low labour costs—average salaries for its 3,200 employees is an equivalent of £200 per month, though its 1985 payroll of Es 3.6bn will be higher this year.

It is for this reason that it is pushing hard, against stiff competition from such companies as Asea of Sweden, BBC of Switzerland and Siemens of West Germany, to win export orders.

Sales last year reached a value of Es 10.8bn, against Es 8.6bn the year before. Despite characteristic Portuguese pessimism which pervades all sectors of the post-1974 revolutionary economy, this represents a steady growth from sales of just Es 2.2bn in 1978. Net profits last year stood at Es 280m, compared with Es 301m the year before.

Exports sales, however, have been slowly on the increase, and last year were worth Es 1.5bn, or just under 10 per cent of total sales. The company foresees more export orders in the future, particularly from neighbouring Spain, where Portuguese price competitiveness will have an advantage over more costly goods, particularly in the electric motors and small transformers sector, over other European competitors.

Mr Rui Gilberto Sabino Marques, Efacec's managing director, said he would like to see exports account for 25 per cent of turnover by the end of the decade.

He admits this target may be difficult to achieve, given that Portugal's "natural" export markets—its former African colonies of Angola, Mozambique, Saõ Tome, Guinea-Bissau, among them—are all in a parlous state of health. The company hopes to capitalise on World Bank resources to supply these markets but is not counting on any EEC forms of export finance.

In addition, Portugal's own banking system remains nationalised and state-funding from its export credit agency is hard to come by.

Efacec has, however, turned up trumps in a few export deals. Several years ago it exported a large transformer—not one of its normally exportable products—to the Irish Electricity Board. Countertrade was the basis for the deal: a shortage of salt cod—the main ingredient in Portugal's national dish, bacalhau—was remedied by the Irish who had these in abundance. The two countries' needs were complementary, Efacec ultimately was paid cash for its transformer, and the country's restaurateurs and shopkeepers were able to meet the needs of their customers.

Modernisation, then, is the key to the future. Efacec has invested in other high technology equipment, such as the expansion of its computer-aided design (Cad) capability.

Through attrition—layoffs are a virtual impossibility in Portuguese industry—the company has also been able to reduce its labour force to 3,200 at the end of last year from 3,900 in 1978.

Modernisation itself costs money, and the company, at an extraordinary board meeting last July, agreed on a plan to raise its share capital from Es 1bn to Es 1.5bn, though a public share offering now being put together by a syndicate of six Portuguese banks and which will eventually be available for the trading on the recently revived Lisbon and Oporto stock exchanges.

Frank Gray

The North

Confidence soars in the region

ON TOP of a landmark column in Oporto's Avenida Boavista, one of the most rampant British lions ever cast in bronze stands ferociously over a mangled and very dead French eagle.

The column, completed at the end of the 1939-45 war, is meant to commemorate the Duke of Wellington's liberation of northern Portugal from French armies during the Peninsular War against Napoleon 175 years ago.

Oporto is the home of many of Portugal's private-sector industries; and for many years local businessmen have identified themselves with the lion, while likening the eagle to wastrel and profligate politicians and bureaucrats in the capital, Lisbon, 200 miles to the south.

Despite the lack of north-south understanding, an upturn in Portugal's economic fortunes and its relatively smooth entry into the European Economic Community last January are helping to soften these antipathies for the first time in many years.

Businessmen are encouraged by the fall in the inflation rate to 11.5 per cent, despite the introduction of an 8 to 16 per cent value added tax on EEC entry. This is a particular source of renewed confidence since the Government was forecasting a 14 per cent inflation rate and it compares with the rates of 25-30 per cent that prevailed over the decade.

Interest rates also have fallen from 30 per cent a year ago to 20 per cent and are likely to fall further.

New cars, not only the small Renaults assembled in a factory south of Oporto but expensive imports mainly from West Germany, are becoming more numerous on Oporto streets. Indeed, at the Edificio Aziz along the Avenida Boavista, a spanking new Jaguar-Daimler showroom has opened in recent months, the dealership having been closed since 1974, the first year of the Portuguese Revolution and the overnight collapse of the country's empire in Africa.

Many of the city's better restaurants now require reservations — unheard of even a year ago — and Oporto has been graced by the recent opening of two new hotels, the Sheraton and the Meridien. Both of them are claiming a high volume of business bookings this winter, many from Spaniards seeking to boost trade and investment opportunities.

The US consulate in Oporto says that tourist visa applications from middle-class Portuguese have increased sharply in the past year, indicating a shift away from people who simply want to emigrate to the US to those who want and, indeed, can afford, to visit there.

The city's savings banks are understood to be enjoying a rare surge in deposits and have been told unofficially by their head offices in Lisbon to not ask "too many questions" about the source of the deposits.

This suggests that a lot of the money that moved offshore during the revolution — even to neighbouring Spanish cities such as Vigo — is beginning to return.

Emigrants' remittances, vital to the country's balance of payments, have held steady after a decline in the early 1980s. Last year they totalled $2.1bn.

"It is as if people are beginning to believe in money once again," said Mr Rui Gilberto Sabino Marques, managing director of Efacec, the electric motor, switchgear and transformer manufacturer, which has just completed an Esc. 1.75bn (£8.2m) modernisation programme.

Oporto's business leaders, having weathered many storms over the years — "all of them blowing from the south," said one — are naturally cautious about trumpeting a new era of prosperity for the north.

Wisely so, for underlying the inherent good health of such companies as Texas Instruments, Grundig, Renault, Agfa and Efacec, is the dubious condition of hundreds, indeed thousands, of small labour-intensive companies now under pressure to pay higher wages and accept efficiency of new technology.

Mr Henry Thilo, head of the Oporto Industrial Association, believes that the time has come for a major restructuring of such companies. "We can no longer put off the dictates of the marketplace," he said.

Mr Thilo is himself a textile manufacturer, owner of one of the largest of some 1,700 textile companies engaged in exporting. Last year the industry made some $2bn in export revenues or about 35 per cent of all export earnings.

He is confident the company can improve its textile products and says that the challenge is to compete successfully with Asian exports to Europe in quality rather than on price—an asset over which Portugal no longer has full control.

There is not a single enterprise that does not complain about Portugal's restrictive labour lay-off laws, which make redundancy through anything but attrition almost an impossibility. There is an underlying confidence that these laws will be changed, but it is accepted that this will not happen until social benefits are themselves improved. There is no short-term solution to the problem.

The challenge to improve Portuguese products has not been lost on one of the north's most famous companies, Sogrape, which produces the country's most famous wine, Mateus Rosé. Some 90 per cent of its wine goes to 125 overseas markets and, in total, 3.5m cases are sold each year.

Its problem is that its trademark wine is beginning to lose sales appeal to the pétillant white wines that come from the Minho region of northern Portugal, the famous vinho verde ("green wine").

Sogrape is becoming a big producer of vinho verde—but so are dozens of other concerns, most producing to inconsistent standards. Sogrape would like to see the Minho become a demarcated region, thereby confirming the exclusivity of a Portuguese product.

It is moving to buy up vineyards in the Barcelos area and there create its own château-style vinho verde that will give it the exclusivity it needs to compete in the better wine markets abroad.

The company is also seeking to diversify its activities and has invested in the construction industry and in cattle farms, says Mr Fernando Guedes, the chief executive. Its most important role is as a founder member in the past two years of the new Portuguese Investment Bank, one of the first private-sector banks to be set up since the bank nationalisations which followed the Revolution.

It is the banking sector that provides the key to the health of northern industries. In 1984 legislation was introduced to approve the establishment of private banks and permit the entry of more foreign banks. But to protect the domestic banks—there are nine, reduced from 22 in 1974—the minimum capital required for foreign and private domestic banks was boosted last June to Esc 2.5bn from Esc 1.5bn in 1984.

The Finance Ministry also placed a limit on the interest offered against deposits so as to stem any flood of funds from state banks — continually saddled by bad debts due largely to state enterprises—to the new institutions.

But the reduction of interest rates and inflation, and the spur, however slight, of foreign and private sector competition are beginning to make the nationalised banks feel the pinch.

In Oporto, Manufacturers Hanover and Citibank of the US have either set up or are about to start up as deposit-taking and lending institutions. Lloyds of the UK has been long-established while Barclays of the UK is set to operate. So is Banque Nationale de Paris.

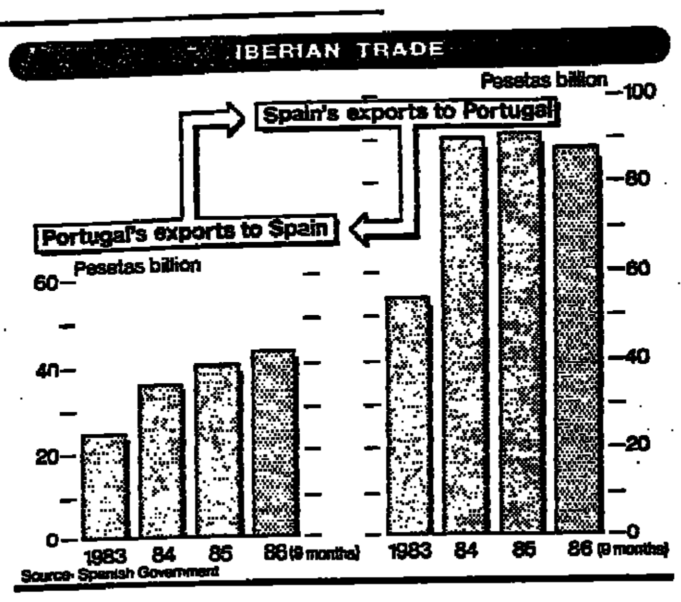
All this is good news to big companies seeking loans and export credits. For years concerns such as Soares da Costa, the largest building contractor, have been hampered by tight credit and the slowness of government contractors to pay.

F. G.

Portuguese Exports & Industry 4

Relations with Spain

Crucial changes taking place



NEVER BEFORE has so much printer's ink been devoted to the relationship between Portugal and Spain. This should be no cause for surprise, because whatever was previously written about the subject was inevitably more ink than substance.

For Portugal, psychologically barricaded behind one of Europe's oldest frontiers, emerging commercial and other ties with Spain are the biggest single change arising out of its EEC membership. Before entry, trade was already more open with the rest of Europe than with Spain. Intra-Iberian commerce came under a special annexe of Spain's special agreement with Efta, of which Portugal was then a member.

The frontier has not only been one of tariffs, obstructive paperwork and backward communications but also one of long-rooted distrust on the Portuguese side (and to some extent on the Spanish) and ignorance about each other.

While modern Spain has outdistanced its neighbour in dynamism and industrial wealth, Portugal has preferred to go on pretending that for all practical purposes Spain does not exist.

This has now changed dramatically. In the Community, Portugal's biggest worries lie just over the frontier, and so do some of its biggest opportunities.

Since they joined the EEC at the beginning of this year, businessmen in both countries have been raising the alarm about invasion from the other.

The bilateral agreement between Spain and Portugal for their co-existence as new members — with a separate pact on customs, agriculture and fisheries — sets up an effectively free trade zone. The tariffs affecting Spain's trade in both directions with the rest of the EEC during the first seven years are lifted for its trade with Portugal.

Only in some especially vulnerable sectors will Spain and Portugal continue to apply transitional quotas and tariffs to each other.

In the first nine months, Spain's sales to Portugal rose in peseta terms by 43 per cent, whereas Portugal's exports to Spain rose by 52 per cent. With Spain maintaining a two-to-one advantage, Portugal's deficit started widening again after narrowing last year.

While Spanish expansion tends to eclipse, in Portuguese minds, the growth in the other direction, crucial changes are taking place.

The average value of Spain's exports has fallen: more of them now are raw materials, which Portugal previously bought elsewhere. By contrast, the average value of Portuguese goods going to Spain has increased by half and more of them are manufactured products.

Portugal's prospects of biting into the deficit have increased since an EEC-imposed compromise went into force last month on the one main point the two countries failed to resolve in their bilateral agreement: the definition of what can be sold as "made in Portugal."

After lengthy argument and widespread fears in Spain about EEC companies by-passing transition arrangements and using Portugal as a backdoor into its market, the Spanish did not get the protection they wanted.

The European Commission set minimum levels for Portuguese content of between 25 and 40 per cent of added value —falling later in most cases— for different product groups, including machinery and electronic goods, provided that most of the non-Portuguese content was from the EEC. This compares with minimum levels of 50 to 70 per cent in force before the two countries' entry.

Although Madrid plays down the risk of Portuguese industries springing up overnight to exploit the advantage, Spanish industrialists are worried about having an economic "Trojan Horse" on their doorstep.

The first months of membership produced recriminations on both sides, with the Portuguese complaining of obstacles against export items ranging from buses to mattresses.

But for Mr Fernando Santos Martins, Portugal's industry Minister, the problems have been insignificant. "It has gone much better than any of us expected," he says.

An annual summit in October between the two Prime Ministers, Mr Anibal Cavaco Silva and Mr Felipe Gonzalez, succeeded in producing an aura of normality — and also in avoiding the subject of fish, which has been a prime source of friction in the past.

Conforming to tradition, the two spoke to each other slowly, each in his own language. Mr Gonzalez pointed out that being together in the EEC was "the first time that Spain and Portugal share part of their destiny."

Transport links and the frontier zones — in both countries, poor and neglected — will feel the benefits of EEC funds. Symbolising new found ties, a bridge is due to be built across the Guadiana River which separates the two countries in the south and a new one across the Minho in the north.

Spanish businessmen now fill the hotels in Lisbon and Oporto and numerous investments are expected to be made. Portuguese companies, are also starting to think in terms of Spanish ventures.

But Portuguese suspicion about any kind of "Iberian" axis — in which an ambitious Spain would play the dominant role — lies deep. Two Spanish banks have been waiting for approval to open branches in Portugal, but the prospect arouses fear about the business power they might bring with them. This, it is argued, would not be compensated by having Portuguese banks open offices in Spain.

What is hardest for the ordinary Portuguese to swallow is the switch in relative prosperity that has taken place in the past 40 years. In 1945, when Spain was still recovering from its Civil War, Portugal's per capita income was twice as high. Today, Spain's per capita income is twice Portugal's. A similar ratio applies to other criteria such as energy consumption or the number of telephones. A Portuguese policeman receives one-third of the salary of his Spanish counterpart.

The kind of resentment Spain's relative wealth and size creates is expressed in a recent article in a Lisbon newspaper complaining about the amount of Portuguese sea-food being sent to the Spanish market. "Spanish make us go hungry for shell-fish," ran the headline.

David White

Port Wine

Entry to EEC brings expansion

WHEN YOU produce an exclusive product like port wine, boost its exposure through an advertising campaign, and attract young consumers with dry and sweet white variations of what is normally a tawny or ruby coloured wine, then entry into the European Community doesn't make a lot of difference.

Of course, none of Portugal's several dozen producers located in Vila Nova de Gaia, outside the historic northern city of Oporto is complaining. EEC entry has meant an easing of duties within the Community and has led to modification of prices within the 12-nation grouping.

How much this mini-incentive has lifted sales, none can say, but the industry is basking in what looks like a 6 per cent sales boost this year compared with last year and nearly an 11 per cent rise in sales to the Community, not counting Portugal itself where sales are rising several percentage points because of the continuing rise in tourism.

In volume terms, the industry has sold some 437,400 hectolitres to its Community partners in the first nine months of this year, compared with 391,700 for the corresponding nine months, and looks to sail past the 1985 total of 626,800 hectolitres.

The Community takes 94 per cent of all port wine sales, and worldwide these totalled 662,400 hectolitres last year, a figure that surely will rise despite the sudden disappearance of the Soviet market.

Therein lies a tale: during Portugal's "red," as opposed to tawny period, after the Revolution of 1974, the Lisbon Government struck a countertrade deal with the Soviet Union, which opened the Russian market to port in exchange for Portuguese liftings of Soviet oil—Portugal produces no oil of its own.

With the oil glut and the corresponding fall in oil prices, Portugal is lifting little Soviet oil and has seen its 20,000 annual hectolitre sales disappear though a modest amount will still go to Czechoslovakia.

That setback notwithstanding, the industry is poised for expansion. While port wine is produced from Europe's oldest demarcated region, and grape planting and harvesting is largely dominated by traditional labour-intensive methods on the rocky slopes of the Douro Valley, the industry have moved dramatically in recent years to modernise its packaging.

In effect, many of the major producers have moved more into bottling of port, so that a comparatively small percentage is actually shipped in barrels. Last year, 490,318 hectolitres were shipped in bottles compared with 144,278 in barrels, as against 334,706 in bottles in 1981, compared with 211,722 in barrels.

The Symington family, which operates under a range of of names, the best known of which is Dow's, recently opened a large bottling plant on a new property in Vila Nova de Gaia.

New types are also entering the market, boosting the attraction of the fortified wine, once the preserve of London's clubs and generally only served formerly after supper.

The House of Delaforce is a prime example of these changes. Headed by Mr Richard Delaforce, the family has been a market leader in Portugal since the 1830s. Now owned by the drinks division of the British Grand Metropolitan group, its main labels are Delaforce and Croft.

It has achieved marketing success in London's wine bars with its white port, and its premier label is His Eminence's Choice, a tawny inspired by a splendid centuries old water colour depicting a cardinal and his host drinking a glass of port.

Mr Delaforce, in a recent interview, noted that the English abroad are probably more English than those at home, but also stressed that the British families that prevail in the Douro are also just as Portuguese as the equally venerable old Portuguese firms.

The English-founded firms now account for about 55 per cent of all port sales, though they increasingly are owned by such big groups as Grand Met, in the case of Delaforce, Seagrams (Sandemans, Robertsons); Allied Lyons of the UK (Cockburns, Martinez); and Martini Rossi (Offleys).

Among the Portuguese companies, the market leader is the Real Companhia a Velha, which accounts for 15 per cent of all sales, and is backed up by such other groups as Niepoort, Borges, Barros, Burmester, Noval and Ferreira.

Mr Delaforce noted that while the range of quality of production are distinctly on the rise, the backbone of the industry is in the production of vintage ports. Vintages are carefully selected, and few companies declare them at the same time. They are declared usually after a particular harvest from an even more particular vineyard is in the barrel for two years. It is then that a company takes the risk of declaring the wine to be worthy of vintage classification.

It is *not* a decision taken lightly for the reputation of the company can fall should the vintage not match up to expectations by the time it hits the marketplace. Such is the nature of vintage market, that most vintages head immediately for the UK, still the most discerning market for the best ports. Delaforce has declared just eight since 1955, the last being in 1982.

As for the 1986 *vindima* (harvest), the Anglo-Portuguese News has noted that growers are not looking for particularly outstanding wines in this year's output.

"The Upper Douro has produced wines of above average quality with unexpectedly high yields, but in the Lower Douro, yields were down and, in general, the quality is no better than average," it said.

Frank Gray

A successful change of gear

CONTINUED FROM PAGE ONE

ible conquests of the working classes," now hang like an albatross around the neck of the Portuguese economy.

Companies in the non-financial public sector account for more than half the foreign debt—and debt is not their only problem. The EDP electrical utility, Portugal's second largest company, not only owed Esc 737bn ($3.46bn) at the end of last year but was in its turn owed Esc 231bn—equivalent to nine months' turnover—by clients and local authorities who had fallen behind in their payments.

One of this Government's first steps towards a clean-out of the company was to give it authority to claim directly. "Nobody took it seriously," says Mr Santos Martins—until it cut off two big industrial clients earlier this month.

Some 18 state-owned industrial companies lost Esc 52bn last year on turnover of Esc 811bn. The state is condemned to keep them for the time being, since privatisation is ruled out until after the next review of the constitution, due late next year. Government hopes of finding other legal means to dispense with lame ducks were disappointed when parliament overruled a decree to wind down the CNP petrochemical complex (1985 losses Esc 33.6bn, equivalent to $167,000 per employee).

Some, such as energy companies, are destined to remain in the state sector, but the Government envisages selling off others (among other things, the Portuguese state owns two breweries) when the time comes or when they are fit for sale. The ministry is taking a case-by-case approach to their problems.

The Quimigal chemical conglomerate is being reorganised in smaller units in readiness for privatisation. The Petrogal oil company is to be prepared for the gradual dismantling of protectionism. The Setenave shipyards, according to Mr Santos Martins, need to drop their shipbuilding side altogether—"very modern facilities to make a product that cannot be sold"—leaving just their ship repair busines.

Imports and Exports

	Imports cif Esc (m)	Exports fob Esc (m)
1985:		
January	109,980	74,569
February	105,900	79,410
March	108,900	76,410
April	95,610	80,670
May	117,460	82,220
June	105,290	76,390
July	109,730	80,640
August	108,580	80,980
September	119,640	84,530
October	105,500	80,990
November	112,330	81,450
December	112,670	85,420
1986:		
January	108,710	81,030
February	104,630	87,740
March	102,890	71,550
April	110,950	96,360
May	103,130	82,450
June	103,320	84,970

Industrial output

(in selected industries)

	(% increase per annum) 1985	1981-85 (average)
Textiles	12.0	3.5
Food and drink	−0.7	−0.5
Paper and board	15.6	7.5
Metals	−3.0	0.5
Chemicals	7.8	3.5
Engineering	−0.5	−2.0
Electrical engineering	3.0	2.2
Transport equipment	−9.5	−3.8
Total industrial production	4.1	2.1

Source: Eurostat

Since this means axing half the 4,500 jobs, his idea is to gain time by keeping the yards occupied up to 1990, with the hope that closure will then be less traumatic.

However, the trouble with industry ministry plans is that the industry ministry has traditionally had little weight in Portugal—one of the reasons for the lack of clear strategies up to now. The proof of the pudding is still awaited.

Portugal is meanwhile beginning to struggle out of the tentacles of its infamous bureaucracy. For foreign investors, often put off by it, the procedural obstacle-course has largely gone. In normal cases where companies are not negotiating special incentive packages, officialdom is no longer required by the new rules to say "yes" but to say "no." Otherwise, the project goes through automatically after two months.

Grounds for refusal are wider for non-EEC applicants than for EEC companies, but Ms Raquel Ferreira, the new head of the Foreign Investment Institute, says that Portugal "will use this kind of faculty with extreme moderation." Foreign companies are allowed in on the same basis as Portuguese private companies, with state-preserve sectors barred (such as electricity, gas, communications and public transport) and some others (such as arms and oil refining) subject to restrictions.

Up to 1990, however, investors still need permission for large-scale capital imports. Approval is also required for property purchases.

Cutting of red tape is also under way in banking and in the state sector, but the power provided by rubber-stamps and signatures is not easily relinquished. Statistics are still agonisingly slow, and Portugal is having some difficulty coming to terms with the workings of the EEC. There are not enough people in key jobs with a real knowledge of the Community.

Oddities remain, and some new ones emerge (it would require another article to explain how, in its first year in the Common Market, Portugal comes to be importing wheat from Saudi Arabia). The country will take time to settle into EEC habits.

But the climate has improved distinctly. After their long wait at the EEC's door, not ready to believe in entry until it happened, the Portuguese are now getting down to business.

THE ARTS

National Portrait Gallery/Roy Strong

A monarch grows up

I suppose that I must take the blame for the National Portrait Gallery's obsession with royal portraits. Nearly 20 years ago the chairman, Lord Kenyon, on hearing that I had been asked to lunch at Buckingham Palace, instructed me to ask the Queen whether she would sit for her portrait for the Gallery. The result was the second Annigoni portrait, launched amidst a barrage of late 60s hype in 1969. I still remember the 70 or so journalists practically battering the doors down to get in to see it.

Ever since then the motto has been, if in doubt, commission another royal portrait or even devote whole exhibitions to the Queen Mother or the Queen. It is pure box office in the best Tussaud tradition and it is hardly surprising that the Gallery's attendance figures are the only ones which are up, whereas those for all the other national collections are down following the slump in tourism.

There is something more than a little disturbing about the royal industry, disturbing in that it is largely out of the control of its victims. Its escalation in recent years has certainly crossed the bounds of good taste. The multiplication of anniversaries to be celebrated leave even Louis XIV at the starting post. We must remember too that what is glibly believed to be hallowed tradition was largely the invention of the second Lord Esher. Under his aegis such things as public state funerals and the Royal Maundy were deliberately developed. I don't think that he could have foreseen every bookshop having a table near the door laden with picture books and biographies of members of the royal family which, neck and neck with cookery and gardening books, now rank as bestsellers.

All this tumbled through my mind as I contemplated the exhibition, *Elizabeth II, Portraits of Sixty Years*, at the National Portrait Gallery until March 22. For a start it is difficult to believe that all these pictures are actually of the same person just as it is difficult to conceive so much bad painting apotheosised in a national institution. No other monarch in history will leave such a fantastic legacy of images. Practically every day produces a crop more in the newspapers, putting to one side the steady stream of newsfilm and the release of official photographs that mark each royal tour, engagement, marriage, birth or jubilee. To these we can add painting and sculpture.

Any artist who depicts the Queen is still trying to do that time-honoured thing of embodying in a single concept, idea and reality, sovereign and lady. One is struck by the continued use until well into the 1950s and 60s of formulae more appropriate to the Virgin Queen four hundred years ago than to a modern monarch, as in the jewelled icon by James Gunn of the Queen in her coronation robes, or Sir William Hutchinson's essay in the grand manner of a Lely or Reynolds of her as Sovereign of the Order of the Thistle.

I found the childhood and adolescent pictures even more absorbing as they confronted the problem of depicting a female heir to the throne through the period of the depression and the war. Up until the abdication in 1937 the Queen was just the eldest daughter of the King's brother. Her future would probably have been an aristocratic marriage and so she is recorded in terms of child society portraiture as a pretty girl in a muslin dress with a basket of flowers or a pet dog.

After the notorious indiscretions of Edward VIII there was a strong assertion of a united family image. Marcus Adams' group of 1939 says it all. No overtones of sleezy smart set life but a family who stand arm in arm and hand in hand. This idealisation of the family in middle class terms is reiterated through the 1940s and 50 in James Gunn's Royal Lodge group where they sit at a modest tea, or Dorothy Wilding's tableau of them sitting reading by the fireside. Studio Lisa produced an endless series of the sisters happily painting or playing the piano together.

Maturity came to her not as would have been expected in the role of a debutante, but as a Sea Ranger, Colonel of the Grenadier Guards or Second Subaltern of the Auxiliary Territorial Service. Those pictures are enormously successful as against the post-war ones which relentlessly try to invest the Queen with her mother's mythology of a lady of romance with a massive use of soft focus, painted backdrops and shimmering light. After that we enter the period of motherhood with a sharp re-run of the happy family at play.

There is no doubt that Annigoni hit on something in 1954 portraying the Queen almost in silhouette against a distant landscape, a formula derived from Piero della Francesca's portrait of Battista Sforza. He re-used it in 1969, this time turning the figure to face the spectator, transforming her from a heroine of a coming new age to a careworn monarch whose robes billow out in a manner used for a *Madonna della Misericordia*.

I am one who thinks that age bestows both character and distinction. The Queen's image gets more and not less interesting as she gets older. It is no longer possible to impose a false film star glamour on a monarch whose face is now lined and whose hair is at last being allowed to whiten. Two portraits stand out that catch the humour and gritty character of the sitter. One is Michael Noake's sketch which records with deadly accuracy that intimidatingly direct stare and the other is Michael Leonard's canvas of her as the lady with the little dog or the little dog with the lady. There is more to come but with a little luck the Gallery will lay off the royal industry until Her Majesty celebrates her eightieth birthday.

Michael Leonard's portrait of The Queen, 1985-6

The Women/Old Vic

Michael Coveney

There is something magnificent and foolish about reviving Clare Boothe Luce's 1936 Broadway comedy at the Old Vic: nineteen British actresses struggling with New York accents, recalcitrant wigs and a text of acidulous bitchiness, not to mention memories of the brilliant MGM movie starring Rosalind Russell, Norma Shearer, Paulette Goddard and Joan Crawford.

The programme makes much of critical uproar at this most notable of locker room plays for women. But objections to "malignant cats" and "odious harpies" are more likely, 50 years on, to be usurped by feminist resentment at lives bounded by the expectations of sexual partners. That must have been an issue as well in 1936. In its way, this all-female ritzy extravaganza is as remarkable in its study of an enclave of social dependence as is Lorca's *House of Bernarda Alba*, of the same decade, in its depiction of a village deprived of menfolk. Sex is under the surface, but not very far.

The plays are similar in their delineation of a specific social milieu. Lorca's spinsters and old maids are trapped in a sun-baked farmhouse; Miss Luce's Manhattan specimens tread a privileged but predictable circuit of bridge parties, beauty parlours, night clubs and exercise studios.

The school for scandal is revealed in Mary Haine's living room where the hot news is that Mary's husband, Stephen, is cheating on her. Gossip and gynaecological chatter carries on through the game ("I had a Caesarian; you should see my stomach—it's a slam"), while Julia Foster's largely pregnant Edith makes her excuses ("I have to unswallow") and Diana Quick's best-selling author, a 35-year-old virgin, is tolerated as a distinctly frozen asset.

This opening is rocky to say the least and you can tell that all is not right with Keith Hack's production when the fitting room confrontation between wife and floozy—full of comic suspense in the film—is clumsily intercut with lighting changes and dropped cues. Mary (Susannah York) has learnt the identity of her husband's amour from a garrulous manicurist: Crystal turns out to be Georgina Hale doing a dreadfully unfunny Mae West drawl.

Mary's mother, stylishly and unfussily played by Faith Brook, advises Mary that "There is nothing like a good dose of another woman to make a man appreciate his wife." This, in the end, is the nearest the play comes to positing a serious attitude as opposed to a moral truth. Crystal betrays Stephen (as potent an unseen figure as the boy in the Lorca) and, with Mary sharpening her claws at the night club farewell party for another "friend" whose fifth husband has been dallying with Crystal, the wronged wife moves in on the man she loved all along.

My main objection to the production is that there is too much vacuous posing and not enough inhabiting of a specific or consistent style. But the vitality of the play, the brutal economy of its construction in 12 scenes and three acts, is fascinating compensation. Maria Aitken as the leading gossip it would be cruel to compare with Rosalind Russell; she is swan-like and fluttering rather than lethal and devastating. Asperity, the genuine cutting article, is not in her repertoire.

Others warm to the task more naturally, notably Patti Love as a tyrannical gym instructress (doubled with one of the school) and Miss Foster as a fecund regular of the maternity ward, tongue-lashing a stroppy nurse: "Unless you've had peritonitis or quintuplets they think you've had a picnic." Even here, the bickering up-dates continue, act two concluding with an extraordinary convocation of divorcees waiting for their papers to come through in a Reno hotel lobby: Miss Love, claiming Sylvia's husband, is reduced to scratches and hate bites, leaving Miss Aitken to exit on the imperishable line "Some day you'll need a loyal friend and then you'll think of me."

I sound carping, but I would not have missed the show for the world. It is funnier and sharper than I expected and, in scope and preoccupations, a play both of its time (Kaufman and Dorothy Parker, rather than Odets, O'Neill and "Oh dear") and ahead of it. For, when all's done, this is a play about women needling and scaling each other's company—and being disappointed.

The art deco sets of Voytek are lacking in kineticism but replete with chrome, a brass moon, animal skins, silk wallpaper effects and a visible light rack. Should not Crystal's bathroom be more obviously grotesque? John Bright's costumes are a colourful array of mixed successful intermittent period accuracy. The worthwhile project is a collaboration between the Old Vic, the Theatre of Comedy and the Yvonne Arnaud. It can only improve.

Alastair Muir

Maria Aitken in 'The Women'

Salomon Orchestra/St John's, Smith Square

Richard Fairman

Opportunities for young singers to try out their Wagner in public do not come round very often. The first act of *Die Walküre* is an ideal vehicle, especially in a concert performance, and that is what the Salomon Orchestra entrusted on Tuesday to the new generation of British Wagnerians (or hopefuls), best known for their work with the English National Opera.

At this stage the most fully-formed of the performances came from the tenor Graeme Matheson-Bruce as Siegmund. Over the last couple of years his appearances, including a last-minute substitution as Walther in *Die Meistersinger*, have suggested an increasing confidence in his work, which was reflected here. Ardour and poetry were well balanced, each of them inflected with point and variety in a German text that had been surely grasped.

Where weaknesses remain, they are in the purely vocal department. Matheson-Bruce has a very bright timbre for a Heldentenor. At times, if the intensity is relaxed, the tone can seem perilously shallow or intonation be endangered, as on all those repeated E flats at the beginning of "Winterstürme." Through all this, however, the interpretative flame is now keenly burning — something that cannot equally be claimed for the young Sieglinde of Jane Eaglen.

As yet her performance remains more of an interim report. Recent appearances at the Coliseum have left little doubt that Eaglen would have all the notes and a good proportion of the power in her voice, but she still has some way to go in marrying up text to music and singing to character (not to mention convincing German vowels). "Der Männer Sippe" seemed particularly flat. The Hunding of John Connell sounded quite massive in these cavernous surroundings.

Indeed, the booming acoustics of St John's could easily have covered a multitude of sins in the orchestra. (Strauss' *Till Eulenspiegel* had been rendered quite congested earlier). But the conductor, Edmon Colomer, drew well-practised and idiomatic playing from the Salomon Orchestra, whose players seem to include a good number of well-known faces from the other amateur and semi-professional orchestras in the capital. Their Wagner, albeit slow to catch fire, would have made a decent opening to any complete performance.

The Great Hunger/Almeida Theatre

Martin Hoyle

Dublin's Abbey Theatre has extended its tour to Islington. It has already been seen at Edinburgh and favourably noticed by Michael Coveney on these pages.

Tom MacIntyre's distillation of Patrick Kavanagh's poem makes an extraordinary theatrical event. This rural community at times comes over as a Hibernian Milk Wood some time previously resettled by Quasimodo. The characters bellow, neigh, yell, cough, gabble prayers. They use faces and bodies in gestures that make Anglo-Saxon actors look wooden. Their stylised actions occasionally recall silent film slapstick routines, sometimes almost balletic rituals—as when a man and a woman hiss, cluck, strut and gobble; and a wordless duel turns into a mating dance.

Unfulfilled, of course; for this is Ireland in the 1940s, and the hunger of the title is emotional. On Bronwen Casson's set (furrowed soil, a corrugated sky, a gate), two draped shapes are constants. One contains the Host—the priest displays the chalice with the wrist-baring flourish of a conjuror—and the other is unwrapped to reveal a carved seated female figure. She is mother and Madonna, chatted to by the padre or borne, leaf-crowned, to church in near-pagan ecstacy. Doused with water and covered, her face is again unveiled, this time the laid-out corpse her son is forced to look at and tearfully kiss. Both Virgin and blameless mortal woman, the figure points to the abyss between the sexes, the stunted relationships stifled by inhibition.

This is embodied by the farmer Patrick Maguire, whom Tom Hickey portrays with a dash of the eternal child. He can can erupt into jerkily frenzied movements, whether frantically picking potatoes or pumping the fire-bellows with an almost masturbatory intensity. His face is more mobile than life, his voice more a chant than speech, in keeping with the director Patrick Mason's manipulation of these sad puppets, tumbling with frustrated energy.

In a production where the props not only take on sexual significance but seem weighed down with good or evil, according to the ingrained doctrine which allows no aspect of life to be free from moral judgment, the girls naturally have their own bridled sensuality. From beneath the silver dish-cover comes lipstick (Guinness for the men) that the young women smear greedily over their faces with moans of pleasure.

Of such unsatisfied yearnings, inarticulacies and baffled guilt is this great hunger made. The seven-strong cast are without any weakness, and the whole experience has a dream-like compulsion.

Solti/Festival Hall

Dominic Gill

A few days ago on this page Max Loppert was reminded, by a particularly fine orchestral concert, "how much triviality and showmanship there is on the South Bank, and how little genuinely intelligent musical direction." Tuesday's London Philharmonic concert conducted by Georg Solti did not similarly uplift the spirits, and served only to remind us that intelligent direction (for whatever other qualities Solti may conceivably lack, it is not that) is no guarantee of success.

The evening opened with Haydn's E flat symphony no 99, delivered, as modern symphony orchestral performances go, with a few textural roughnesses on the way, but with tolerable crispness and elegance. That was a perfectly respectable achievement; but Solti's next achievement was much odder—to turn Mahler's Fifth into a Symphony of Winds. From first to last the effect was something like that of those open-air concerts I remember at Kenwood, overwhelmed and finally sunk by an acoustic which allowed no sound to reach the audience except the relentless baying of the brass.

Mahler's Fifth on this occasion was not sunk; but it was certainly overwhelmed. The first two movements were violent, explosive wind perorations into which little wisps of string sonority were faintly wafted. The LPO's strings these days are not in any case its strongest asset, but in this symphony they seemed to be playing in a trance—in the scherzo their sound (a remarkable new Mahlerian effect) was positively eery, like an off-stage string band. They stood alone in the adagietto: but the tone was thin, dull and scratchy. By the finale, where the wind really *should* predominate, our ears had become so accustomed to the imbalance that the elements of surprise was lost. A great cry of approval went up from the audience at the end, which mystified me almost as much as the performance itself.

and do they do/Sadler's Wells

Clement Crisp

London Contemporary Dance Theatre's second programme, unveiled on Tuesday, builds through three repertory works to a creation by Siobhan Davies. By an odd quirk of circumstance, it seems as if this novelty, *and do they do*, unites elements from two earlier items in the evening. In racing terms it is by *Rainbow Bandit* out of *Songs and Dances*. From the former come the bold primary colours of its costuming (though Miss Davies' cast seems drearily outfitted when compared with the elegant unitards of the Richard Alston piece), and certain post-Cunningham poses. From the latter we recognise the constant dashing about the stage, a purposeless activity for the sake of activity, which makes the opening section of Robert North's *Songs and Dances* so exhausting to watch, and Miss Davies' dances appear so relentless.

Miss Davies' determinedly lower-case title comes, I am told, from Gertrude Stein, and its relevance is hard to comprehend. What we see are four brightly coloured panels by David Buckland of black figures disporting themselves amid splashes of pigment, against which six men and three women race in spurts of hectic energy, while a blatant minimalist score by Michael Nyman grinds inexorably on.

The effect is perky—save for a more lethargic central passage—and astonishingly banal. Cheeriness is all, the dancers' smiles seeming nailed on their faces as they pound hither and yon with the manic determination of the hyperactive. The cast are unsparing of themselves, but I wish that I could discern any clear purpose to their frenzies.

Purpose, clarity, are evident in *Rainbow Bandit*, which continues to be one of the most intellectually satisfying and theatrically cogent works in the repertory, and one which the LCDT artistes dance with admirable grace and integrity.

Serkin, Abbado/Barbican Hall

Rodney Milnes

Pray do not expect, on one of those rare occasions when I am let out of the cage marked "opera," a detached or balanced account of the LSO's Barbican concert on Tuesday, the central panel of which was Mozart's B-flat piano concerto K 456 played by Rudolf Serkin. He is one of the great musicians of our century, and in his time has worked with most of the others. At 83 he is a legend of the most lovable and treasurable sort.

Even though one has seldom gone to a Serkin concert primarily for technical perfection — any fool can play notes, and many do — there was little at which to demur here; only the most block-headed Beckmesser might mention the occasional uneven scale instead of marvelling at the rhythmic buoyancy of his attack on the last movement or the youthful energy with which he lashed into its cadenza.

This may have been unexpected, but his playing in the first two movements brought those expected rewards that few pianists today can begin to approach: the inimitable mother-of-pearl tone in *piano* passages, rubato of the subtlest shade, finely controlled gradations of colour and dynamic in the simplest groups of repeated notes, phrasing of unanalysable eloquence. All adds up to a monument to the art of understatement, an art in desperately short supply nowadays.

At first the accompaniment under Claudio Abbado seemed a little heavy and a little rushed, but the partnership soon settled down. Nevertheless, in the interval smart phrases about the unlikely but rewarding combination of the most self-effacing of musicians and the glitziest of European orchestras flitted through the mind. They turned out to be unworthy. After a somewhat clotted account of the *Calm Sea and Prosperous Voyage overture*, the LSO struck its top form in Beethoven's seventh symphony. Abbado at his most authoritative kept the Dionysiac element within reasonable bounds, thus rendering it all the more exhilarating: the release of energy in the finale was hugely inspiriting. Exceptionally beautiful wind playing in the first movement's development, cellos and basses that really *sang* in the Allegretto, but above all a fine orchestra consistently responding to the discipline of a great conductor.

Serkin crept in and sat by the artists' door to listen: he knows quality when he hears it. So did we.

Saleroom/Susan Moore

'Hope' sets new record

G. F. Watts' symbolist masterpiece *Hope*, a version of which the artist presented to an adoring nation in 1897, is the best known work of the painter most feted by the Victorian public. Yesterday at Sotheby's the first finished version, varying slightly from that in the Tate, and in near perfect condition, set a new auction record for any Victorian picture by selling for £869,000. Its purchaser, dealer Peter Nahum, described it as "one of the great pictures of the 19th century." A Victorian painting of this importance and quality—and influence—has not been seen on the market for a decade.

In response to the result Sotheby's, who had conservatively estimated the symbolist picture at £150,000-£200,000, but are not surprised by the figure announced that it would make a substantial donation to the Watts Museum at Compton, Surrey, to aid the conservation and restoration of the collection.

Records were made all round. Two Pre-Raphaelite landscapes set record prices for the artists. Ford Madox Brown's *Southend* of 1858, a circular, minutely observed country scene only 11½in in diameter, doubled its estimate by selling for £126,500. In contrast, John William Inchbold's *Mid Spring*, once in the possession of Lady Millais, and described by *The Athenaeum* in 1856 as a "blue stream of hyacinths and light leafy foliage," looked a bargain, selling albeit over the estimate for £24,200. Pre-Raphaelite landscapes, only really produced for 10 years between 1855 and 1865, are also rare sights on the market. Albert Goodwin's *Benares*, changing hands at £33,000, joined them as another auction record for the artist. It went to London dealer Chris Beetles.

Another substantial sum was realised by J. F. Millet's absorbing charcoal study for *The Knitting Lesson*, executed in 1853, which sold well over the estimate to a Japanese bidder for £165,000.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

November 21-27

Exhibitions

BRUSSELS

Ingres and Delacroix – Drawings and Watercolours – Palais des Beaux Arts. Ends Dec 21.

Chinese Porcelain – the Transitional Period: Musée Royale d'Art et Histoire. Ends Dec 14.

Opalescence: glass from 1880-1930. BBL Place Royale. Ends Nov 29.

WEST GERMANY

[illegible] Kunstverein Ferdinandstor [illegible] Auerbach. A series of [illegible] drawings for which Britain's Frank Auerbach won the Venice Biennale Lion award at the Venice Biennale this year. Thirteen of Auerbach's earlier works will also be on show to give a view of the artist's development and tradition over 30 years. Ends Nov 30.

Tübingen: Kunsthalle Philosophenweg 76: Toulouse-Lautrec. A retrospective of 130 paintings and picture studies by Henri de Toulouse-Lautrec (1864-1901). Ends March 15.

ITALY

Rome: Museo Nazionale delle Arti e Tradizioni Popolari (Piazza Marconi 8, eur): "Precious Ornaments." A large collection of Folk jewellery from all over Italy, dating from the turn of the century, illustrated with charming photographs of heavily bejewelled countrywomen. Until Nov 30.

Florence: Palazzo Medici-Riccardi: Masterpieces of German Expressionism (1905-1920): Works from private and public collections give a history of what has become a highly fashionable movement with works by Kandinsky, Kirchner, Schiele, Nolde, Klee, and the appalling visions of Otto Dix. Ends Nov 30.

Venice: Palazzo Ducale: China In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25-1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

SPAIN

Madrid: Julio Gonzalez (1876-1942), Spanish cubist sculptor considered with Picasso the top exponent of this movement; 50 sculptures and 70 drawings on loan by the Ivam, Valencia's modern art museum. Ends Dec 30. Also Miro sculptures (1883-1983): 100 sculptures and 140 drawings on loan by Moma, Georges Pompidou, Miro Foundation and private collections offer a vision of Miro's sculpture of 1930-1970 of which we know little in Spain. Ends Jan 20. Both at Centro de Arte Reina Sofia, Santa Isabel 2. Open Tue to Sun: 10.00-21.00. Closed Mondays.

Barcelona: Amos Cahan Collection. Spanish Art in New York. A total of 78 paintings by 35 Spanish artists of the 1950-1970 period who started two significant movements: Madrid's El Paso and Barcelona's Dau al Set. Among the painters are Tapies, Saura, Sempere, Zobel, Torner, Canogar, Mompo, Cuixart and Guinovart. On loan by Dr Amos Cahan, who has one of the top collections of Spanish contemporary art outside Spain. Caixa de Barcelona, Plaza de Sant Jaume Ciutat 1. Ends Jan 30.

PARIS

Estève: After important exhibitions in Germany, Switzerland and Scandinavia, Paris in turn honours the abstract French artist born in 1904. The retrospective consists of 115 paintings, 50 watercolours, nearly as many drawings, some collages and tapestries and shows Estève's development. Influenced at first by Cubism and fascinated by Cezanne, he continued along the path of colour, a solitary road until he achieves an equilibrium between a rigorous composition and an explosion of colours. Grand Palais, Closed Tue. Ends Jan 12 (4256 0024).

François Boucher: the 86 paintings and 25 drawings of his first major retrospective re-create the pastel-coloured world he peopled with voluptuous goddesses and shepherds. Premier Peintre du Roi, a favourite and friend of Madame de Pompadour, Boucher personified the light-hearted charm and seduction of the Louis XVth Period. His pastoral and mythological scenes reproduced by engravings, tapestries and on Sèvres porcelain spread the influence of French court art all over Europe. Grand Palais, closed Tue, Ends Jan 5th (4289 5410).

Les Prix de Rome: The exhibition consists of paintings which won the much-coveted stay in Rome for the laureats from 1797 to 1863. The uplifting subjects from mythology or the Bible, the noble sentiments, melodramatic gestures and perfect workmanship testify to the prestigious yearly competition provide a unique panorama of French academic art. Ecole Nationale des Beaux Arts, 11 Quai Malaquais, closed Tue, ends Dec 14. (4260 3457).

Maîtres Impressionnistes et Modernes: Pissaro's Woman with Geese, a country scene shimmering in gentle sunlight, a well-structured Bonnard, a surprisingly poetical Gauguin, two Picassos and a Bonnard, Marquets, Utrillos and a Gris form a counterpoint to an unusually rich collection of sculptures. The perfection of Maillol's small bronzes rejoices the eye, as do [illegible] harmonious [illegible] shapes and the large composition by Laurens with Cubist overtones. Daniel Malingue gallery, 26 Ave Matignon (4266 6033). Ends Dec 20.

NEW YORK

Metropolitan Museum: 90 paintings from the end of Van Gogh's life are the focus of this second of a two-part show of the prolific artist at Saint-Remy and Auvers. The Starry Night and Cypresses come from this period working first in an asylum in Saint-Remy and then in Auvers, where he committed suicide in July 1890. Ends March 22.

Bravo Carnegie Hall: While Carnegie Hall is being renovated, the exhibition space at the Performing Arts Library at Lincoln Center honours the venerable venue with original architectural drawings and cutaway models along with a tribute to violinist Isaac Stern, president of Carnegie Hall, and memorabilia like the original programme of 1891 and other programme covers.

Whitney Museum: A retrospective of 168 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 50 years, with many of his famous full-length portraits, and landscapes and informal drawings. Ends Jan 4.

WASHINGTON

National Gallery: Viennese Renaissance sculpture from the Kunsthistorisches Museum includes work by Bertoldo di Giovanni, Andrea Briosco, and Alessandro Vittoria. Ends Nov 30.

National Gallery: Henri Matisse: The Early Years in Nice 1916-1930, includes 170 paintings from the artist's life in the south of France, where the light made a permanent difference to his sense of colour. Ends March 29.

CHICAGO

Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and fragments emphasising his use of ornament. Ends Dec 31.

TOKYO

El Greco: 50 oil paintings, part of the Matsukata collection. National Museum of Western Art, Ueno Park, one of Tokyo's few large parks. Several national museums and Tokyo's main concert hall (Tokyo Bunka Kaikan) are in the vicinity. A day's museum-hopping can be pleasantly divided by refreshment at one of the park restaurants. Ends Dec 14. Closed Mons.

NETHERLANDS

Amsterdam Historical Museum. A collection of 18th-century French drawings and watercolours providing a cross-section of the styles and themes of the period, from the generation of the Napoleonic legend to exotic Orientalism and the Italian picturesque. Ends Jan 4.

Amsterdam, Van Gogh Museum. Monet in Holland documents the Impressionist's visits to the country at three different stages in his career with 24 canvases painted in Zaandam, Amsterdam and the bulb fields, with related work by French and Dutch contemporaries. Fully illustrated English catalogue. Ends Jan 4.

Laren, Singer Museum. Recent graphics by more than 100 Dutch artists. Ends Dec 14.

Haarlem, Frans Hals Museum. In Search of the Golden Age comprises 70 paintings, watercolours and drawings from 1800-1850. Ends Nov 30.

Rotterdam, Rijksmuseum Land en Volkenkunde. In the Wake of the Liefde presents the intriguing story of cultural relations between Holland and Japan since 1600. Paintings, prints ceramics and furniture highlight the two centuries when the Dutch trading settlement at Deshima was the sole western outpost permitted by the shoguns. Ends Jan 4.

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The President needs help

THERE IS no longer any point in resisting comparisons between the current debacle in Washington and Watergate. This does not imply that Ronald Reagan is Richard Nixon reincarnate, but it does recognise that, without a major salvage operation, the authority of his administration is in the process of being damaged as severely as was that of Mr Nixon's in his last two years of office.

Watergate asked a famous question that is about to be posed repeatedly in the US: "What did he know and when did he know it?" Ultimately, in the unfolding Watergate drama, this was directed at the President himself. On this occasion, President Reagan's known disengaged approach to the business of government makes it quite believable that he was unaware of the full dimensions of the Iran-Nicaragua connection until he was told by his attorney general on Monday. This may be a lamentable state of affairs for the man who holds the most powerful office in the free world, but it may be his best, indeed, only good defence, because it is true.

But the same question is also going to be put to many other people in positions of supposed authority in Washington and their responses will be subjected to unrelenting scrutiny. These include not only the upper echelons of the White House staff, most of whom are by now thoroughly discredited, but also policy makers like the Secretaries of State and Defence, the director of the Central Intelligence Agency, and even the Vice President, Mr George Bush.

New blood

At least under President Nixon, Dr Henry Kissinger was sufficiently untainted by Watergate itself to be left free to pursue foreign policy. The unhappy difference this time is that whereas the Watergate origins and focus were principally domestic, the current trauma strikes at the heart of Mr Reagan's foreign policy.

It would be reassuring if, as Mr Denis Healey has observed, the end result was to put back foreign policy control into the State Department and its secretary, Mr George Shultz, simply because he looks the best available pilot in the storm. But he, more than most, will have to face much grilling about what he knew; and he will have to face up to the fact that foreign policy has been reduced to a shambles by events over which he should have exercised greater influence.

Clearly new blood is needed. Clearing out the White House staff and cutting the national security council down to size may not be enough. Recent history suggests that presidents, beleaguered or not, need more than narrow-minded loyalists around them. At least in their worst closing months, Presidents Nixon and Carter also had Vice Presidents, Gerald Ford and Walter Mondale, who retained independent personal credibility, especially in the confines of Washington. Mr George Bush, nakedly ambitious for 1988, has curiously failed to establish such a reputation and is, in any case, already tarred with a murky Nicaraguan connection of his own.

External talent

Good, external Republican talent is available. Mr Howard Baker, the former senator from Tennessee, comes to mind, as does Mr Drew Lewis, the one-time cabinet minister. It is worth recalling that President Carter was able, at least temporarily, to get over the trauma of the resignation of Mr Cyrus Vance by quickly appointing, at Mr Mondale's instigation, a man of proven stature, Senator Edmund Muskie, to the State Department. Mr Reagan's advisers have put too high a premium on political loyalty and compatibility and must now recognise the need to cast the net more widely.

For the reality is surely that Ronald Reagan is now hobbled. Personal popularity at home is no longer enough; indeed the sense of invulnerability that it produced is, in good measure, at the root of the present trouble. But, at his age, this president cannot be expected to change the habits of a lifetime any more than Jimmy Carter could be less than earnest and meddlesome. Into this vacuum steps a congress now run by Democrats, but with powerful Republican moderate voices; the hope must be that it will exercise its new found authority responsibly; into it, too, should step some old voices of reason. In sum, the president needs help if paralysis on a Nixonian scale is not to ensue.

View from the shop floor

INDUSTRIAL RELATIONS in the UK are no longer seen by the Thatcher Government as much of a problem. The sharp decline in strikes and in militancy, continuing high levels of unemployment, technological change, the limiting of trade union power and the prospect of a general election have all combined to reduce, in the main—apart from outbreaks such as News International's Wapping dispute—the public and political profile of Britain's industrial relations system.

The political downgrading of industrial relations—perhaps more helpful electorally to Labour than to the Conservatives—may also be of benefit to British industry, but may probably be more of an irrelevance. If Department of Employment ministers no longer need or want to deal with industrial relations, employers and employees have little choice but to continue to do so: whatever the nature of the political debate, they face practical problems every day at the workplace.

How those practical problems have changed in the recession is charted today in an important study, sponsored in part by the DE, together with two other government agencies and a private research institute. The study—the Workplace Industrial Relations Survey—though its new data refers to 1984, is the best picture we have of how people work now.

Important change

The principal implications of the survey are twofold. Firstly, despite all the onslaughts—political, economic and practical—industrial relations in Britain have remained remarkably stable. Most of the chief industrial relations bedrocks—full-time employment, recognised trade unions, joint collective bargaining, detailed procedures, forms of consultation, the closed shop, even industrial action—are all still there.

But the second conclusion which the survey's results prompt is that in virtually all these areas very important change has been taking place. The change is sometimes radical (such as the sharp drop in the coverage of the closed shop) and very much not at the margin: industrial relations in private manufacturing, for instance, where the recession has bitten hardest, have undergone such far-reaching shifts, especially in comparison with the relatively stable public sector, that its practices all but constitute an entirely separate and different way of operating.

The public sector may lose some of its relative stability as privatisation continues and more emphasis is placed in the public services on contracting-out to the private sector. But it is in the public sector—for example in education and the civil service—where the trade unions, though divided, have retained most of their bargaining strength at the national level.

Biggest weakness

In the private sector the important question for the future is whether managements and unions can build on the changes of the last few years and develop the industrial relations systems in a way which facilitates higher productivity, lower costs and advances in technology.

For most of the post-war period the biggest weakness in British industrial relations was the disorderly nature of plant-level bargaining — wildcat strikes, go-slows and other forms of disruption in defiance of agreed procedures. There has been a marked reduction in industrial action of this kind, mainly because of high unemployment, but the challenge now is for negotiators to institutionalise this more orderly approach through tighter procedures and better arrangements for dealing with grievances.

Some of the new Japanese investors, and a good many less publicised British companies have shown that it is possible to break out of the straitjacket of confrontation and mutual hostility that has characterised British industrial relations in the past. New payment arrangements including profit-sharing, a more flexible approach to skills and responsibilities and, above all, a far greater attention to consultation and communication — all these developments need to be taken further if the "British disease" is to be finally cured.

FORTITUDE in the face of adversity has been one of the cornerstones of President Ronald Reagan's leadership.

Today the ageing chief executive who "forgot to duck" an assassin's bullet in 1981 and who, gaunt and stiff, was back on the job six weeks after cancer surgery, will have to draw on all his reserves of resilience and determination if he is to rescue the last two years of his presidency from political paralysis.

Three weeks after the first report of a bizarre undercover mission to Iran by former White House aide Mr Robert McFarlane, the nagging doubts held by many in Washington about the lack of decisive political leadership from the White House have exploded into a full-blown crisis.

Mr Reagan's approval ratings in the opinion polls have slumped with the disclosure that his administration was indeed dealing in arms with Iran—the very regime which his countrymen have yet to forgive for holding 52 Americans hostage for 444 days, six years ago.

The President has been forced to accept the resignation of his national security adviser and to dismiss a powerful—many would say too powerful—member of his national security staff, Lt Col Oliver North. This became inevitable following revelations that between $10m and $30m from the sale of arms to Iran had been channelled to rebels seeking to overthrow the government of Nicaragua.

Worse, Mr Reagan's old political friend from California, Attorney General Edwin Meese, was forced to announce on Tuesday that the Government is now investigating whether this operation involved criminal activity by the White House. Politicians such as Democratic Senator Patrick Leahy, deputy chairman of the Senate intelligence committee, are now calling for a special prosecutor to investigate the financial dealings between the US, Israel and the Contras, a move which must summon up memories of former President Nixon's Watergate experiences.

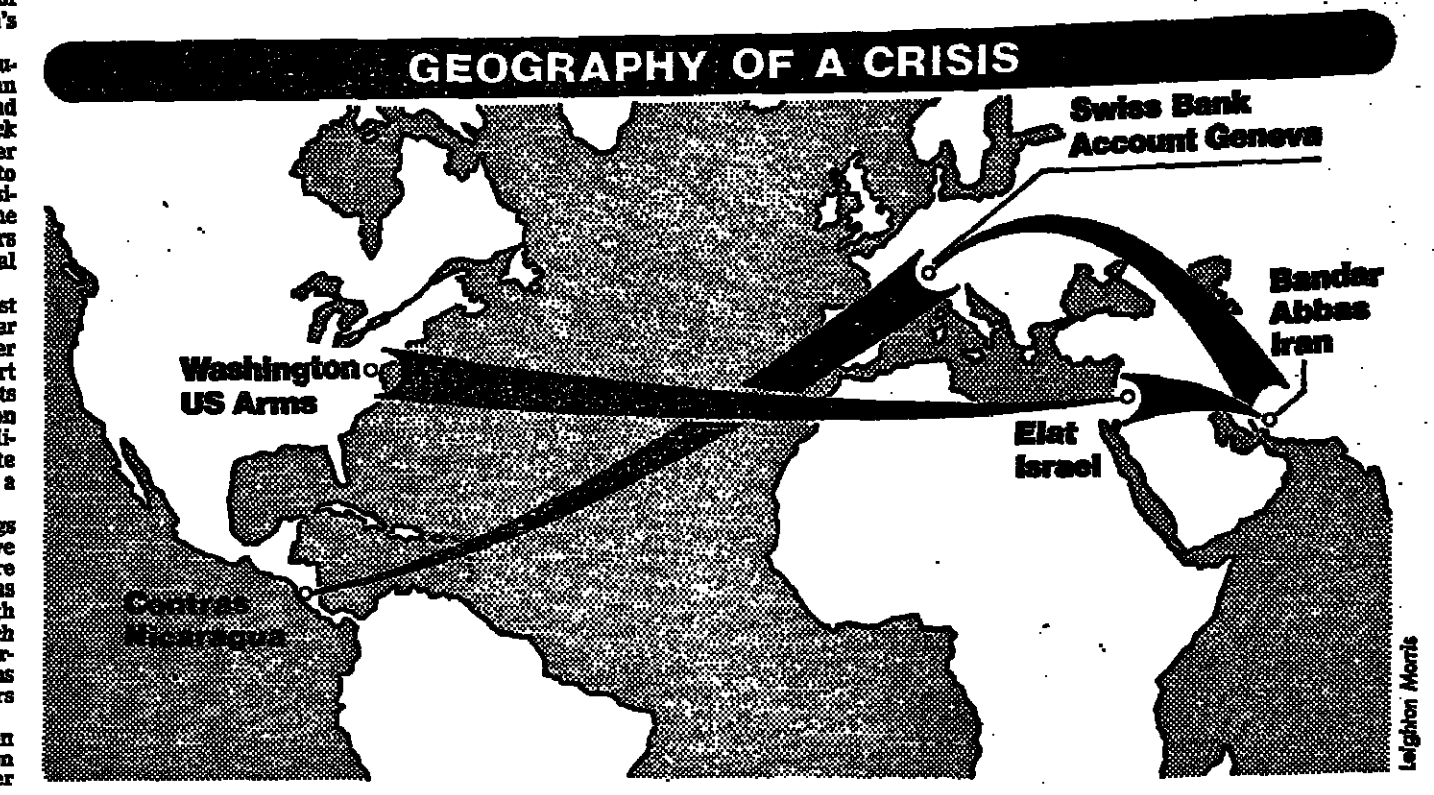
The stunning disclosure of a link between the apparent arms-for-hostages deal in Iran and the Nicaraguan rebels guarantees that for the next several months Mr Reagan's White House will be subjected to a gruelling inquisition by Congressional committees. The hostility of these committees is assured: Mr Reagan's political friends have been replaced at the helm by the newly-ensconced Democratic majorities in both chambers.

It is not just Democrats on Capitol Hill but also Republicans who are seething at the evidence that Mr Reagan's White House was deliberately trying to circumvent laws designed, on the one hand, to allow Congress to monitor secret administration operations and, on the other, to prevent the Administration from financing weapons purchases by the Nicaraguan rebels.

As Congress probes the question of who in the White House knew what about the operations —and when they knew it—Mr Reagan will be forced on the defensive. It is difficult to see how the degree of involvement of other top Administration officials can escape further investigation—although Mr Meese has denied that there was further involvement at high levels.

Jim Wright, the Democratic Congressman who is expected to be the next Speaker of the House, was only echoing a widely-held view when he suggested this week that it strained credulity to believe that a relatively low-level military officer such as Lt Col North—even operating out of the White House basement—could mount such a covert operation on his own initiative.

Mr Reagan and the Iran affair



Leighton Morris

In the dark - and into the cold

By Stewart Fleming, US Editor in Washington

Mr Reagan's administration could face with greater equanimity the challenge of containing the damage from these revelations—and would stand a better chance of setting a clear course for the remainder of his term—if it were united. It is not.

As the details of the covert White House activities have seeped out, Washington has seen top Administration officials diving for the lifeboats, leaving their captain to rescue the ship.

Even Mr George Shultz, the Secretary of State and a committed public servant, finally distanced himself from Mr Reagan's policy of shipping arms to Iran. On Monday, he sent his deputy to Capitol Hill to lay out, in excruciating detail, just what he felt was wrong with the foreign policy making process in the Administration—in particular the process as conducted by the National Security Council.

Mr Shultz's actions have served to emphasise the depth of divisions within the Administration.

He drew a thinly-veiled rebuke from Mr Meese, who has called on those in the Administration who could not stand "shoulder to shoulder with the President" to "get out."

As they have watched events unfold, many in Washington have wondered whether they are seeing a replay of history. When Mr Reagan humiliated his opponent in the 1984 Presidential election, sweeping 49 of the 50 states, many concluded that the American people were voting decisively for continuity and wanted a President who would effectively serve out his two full terms.

Now they are wondering whether — like three of his immediate predecessors, Presidents Lyndon Johnson, Richard Nixon and Jimmy Carter — President Reagan is about to end his presidency a political cripple.

"The President has been so popular and so successful that his subordinates think they can do almost anything and he can cover for them with his enormous popularity, so our decision-making process turns into an excercise in self-will," says Henry Kissinger, the former Secretary of State.

At the centre of scandal is the National Security Council, a little-known agency but one which has traditionally been a focus of foreign policy turf fights in Washington since its creation in 1947.

It was this body which, in 1984, under the then National Security adviser Robert McFarlane, secured the approval of President Reagan for a "private aid network" to help the Contra rebels — men the President refers to as freedom fighters — in their battle to overthrow the leftist Sandinista government in Nicaragua.

Democrats and Republicans alike are seething at the evidence that Mr Reagan's White House was deliberately trying to circumvent the law

The aim was to evade a ban on US aid to the Contras imposed by Congress following the disclosure that the US Central Intelligence Agency had directed the mining of Nicaragua's harbours.

Then at the beginning of this month came reports that Mr McFarlane and Lt Col North had been involved secretly in shipping arms to Iran—an operation which Mr Reagan has maintained was aimed at developing diplomatic links with "moderates" in the Iranian Government.

The operation, which unavoidably has been seen as linked to the release of American hostages in Lebanon, has been widely branded as a diplomatic blunder of the first magnitude. It undercuts the credibility of US foreign policy, running counter to declared US goals in the battle against terrorism.

On Tuesday, Washington was further stunned by the disclosure that money from the arms sales to Iran had been channelled through numbered Swiss bank accounts to the Contras.

The response was public outrage that a small group of White House officials should determine US foreign policy in two so sensitive regions of the world—especially by a route designed to evade the scrutiny of Congress.

Painful memories of a rampant executive branch trampling on the legitimate prerogatives of the legislature have been stirred by the disclosures.

Over the next few months, Washington will be pre-occupied with unravelling the extraordinary web of intrigue which has trapped Mr Reagan and assessing the implications for the President's future.

Many would attribute the succession of political faux pas committed since the beginning of Mr Reagan's second term to hubris. In addition Mr Reagan's penchant for delegating decision making to his advisers—who are widely criticised as "second-raters," even by conservative friends of the President such as the influential columnist Mr George Will—is seen as a fundamental flaw.

Mr Donald Regan, the White House Chief of Staff has become a focus for the most intense criticism. He is a man of limited political experience and skill who seems to delight in confrontation and compromise.

He is perceived to have surrounded himself with "yes men," and to have cut the President off from the diversity of opinion which is needed to form sound political judgments. As Mr Regan has imposed his corporate style of management on the White House, many of the most able advisers from the first Reagan Administration have left.

But the growth of an independent foreign policy-making machine in the White House, one which has cut across the public positions of Secretary of State Shultz, could not have taken place without President Reagan's approval.

Some of the implications of the furore which has engulfed the White House are already being spelled out on Capitol Hill. Even Republican politicians such as Senator David Durenburger, the retiring chairman of the Intelligence Committe, are warning that "it will be a cold day in Washington" before Congress approves more aid for the Contras.

But much hangs in the balance. At first sight, for example, Mr Shultz appears to have strengthened his position. But he is being heavily criticised for having abdicated responsibility for the Iranian operation by not opposing it more vigorously. Doubt has been cast on what he knew about the venture and when; and friends of the President, particularly conservatives who have never liked him, are furious at what they perceive as his disloyalty. A political battle is in the making for the appointment of a successor to Vice-Admiral Poindexter, a choice which could make Mr Shultz's "victory" moot.

Assertions from the White House that the President himself knew nothing of the implementation of these undercover operations is widely accepted, partly because of Mr Reagan's well-known aversion to detail, but also because of a deliberate effort to build "deniability" into the activities to protect the President.

But there is a widespread belief in Washintgon that far from clearing the atmosphere and putting the Iran controversy behind it, the revelations about the link between Iran and Nicaragua have added fuel to the controversy. It will be harder now for the President to regain the initiative.

At a time when many sense that an historic breakthrough is beckoning in US-Soviet relations and when the US economy is so vulnerable to an erosion of confidence in the dollar, it can scarcely be in the interests of either America or its allies for Mr Reagan should be consigned to the status of lame duck. Top republicans looking ahead to the 1988 elections are no less concerned about the implications of recent disclosures for their electoral chances. Many suspect that Vice-President George Bush's presidential ambitions are hanging in the balance.

There is a sense in Washington that Mr Reagan is facing a decisive battle which could determine how history judges his presidency. Many suspect that if he is to reassert his leadership, more changes will be needed at the top of his administration—although such a course is fraught with danger so late in his presidency.

Men and Matters

A deal with the Japanese

Gordon Brown, who has just completed a deal to manufacture equipment on behalf of the biggest Japanese producer of construction machinery, has no illusions now about the toughness of the Japanese as negotiators.

"Everything that has been said about the conspiracy way that the Japanese do business is totally correct. They also try and work on you by wearing you down."

The agreement announced yesterday after a year of negotiations for the Brown Group to manufacture dump trucks which will be sold under the Komatsu name is a remarkable development for the Brown business.

Founded by brothers Fred, Ron and Gordon in 1963, it started out as an agricultural contractor, finding farmers who needed fields ploughed or hay baled.

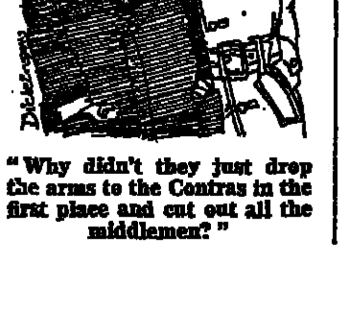
From a small North Yorkshire village, the brothers now run a £40m business encompassing coal reprocessing, construction, equipment distribution and even a tiny airline, Brown Air, flying to Glasgow, Frankfurt, and Oslo from Leeds-Bradford airport.

Six years ago, the Brown Group was no more than a distributor of construction machinery. Then Moxy AB, a Norwegian producer of articulated dump trucks for which Brown was the UK distributor, went bust and by the following year the British company scooped it up.

Brother Ron was installed to run the Norwegian operation and output subsequently tripled. Producing for Komatsu will double existing production.

Noted in the industry for his shrewdness and a love of the good life—including a Mercedes 380SL—44-year-old Gordon Brown does not appear to share the worries of some other European construction equipment makers who believe the Japanese manipulate joint ventures in order to strip their partners bare.

"Our aim is to become the biggest producer of dump trucks in the world," says Brown confidently.



"Why didn't they just drop the arms to the Contras in the first place and cut out all the middlemen?"

Pyramid selling

"The mysterious preservative and restorative qualities of a correctly proportioned Egyptian-type pyramid have often been recounted, if not scientifically proved."

So says a rather unlikely source for pyramid expertise, the Hi-Fi News and Record Review in its accessories club section.

But the magazine is not simply indulging itself in a flight of Egyptology. Having heard that a pyramid could sharpen a razor blade (and there are adherents to that claim) the editors reasoned that the same might be done for a pickup stylus.

Since April it has been selling a do-it-yourself pyramid made of a papyrus-like material, and called a "flux shunter."

The magazine reports the pyramid has generally been received with enthusiasm, although admitting it has been the subject of "some ill-informed attack, and the cause of no less than three cancelled subscriptions."

One user disparaged the paper pyramid's effectiveness to sharpen anything on the grounds that it weighs only 8 grammes, compared with the estimated 100m tonnes of the Cheops original, which is said to have similar powers.

Undeterred by criticism Hi-Fi News and Record Review intends to give away a free pyramid with every order while stocks last.

No mixing

The course of world oil prices has generated less heat in Calgary lately than a row over the admission of women to the city's oak-panelled Petroleum Club, the premier meeting place of western Canada's oil industry.

Members decided earlier this month to stick to the "men only" policy which has been in force since the club was founded 40 years ago. No sooner was the decision taken than Wilbert Hopper, chairman of the state-owned energy group, Petro-Canada, handed in his membership card and ordered the company's other 30 members to do the same.

Hopper's protest was followed by at least two other leading oil producers, and drew a congratulatory telegram from Federal energy minister, Marcel Masse, whose female predecessor turned down an invitation to become an honorary member of the club.

Defenders of the Petroleum Club policy point out that it is not the only bastion of sexual chauvinism in Calgary. Another oil industry watering hole, the Ranchman's Club, allows women to enter only through a side entrance.

Soviet smoke

Soviet tourists are becoming less welcome in neighbouring Finland—partly because of their strong-smelling cigarettes. Hoteliers are now openly grumbling about the problems of cleaning up after them.

In Turku, Finland's third biggest town, one hotel has banned Soviet visitors after local businessmen threatened to boycott the establishment themselves if it did not take action.

Intourist, the Soviet tourist organisation, appears to be having difficulties in signing agreements for hotel rooms next year. Nothing has yet been fixed—two months after the usual deadline. The inference is that Intourist, which traditionally tries to cut room rates by as much as 70 per cent, is meeting strong resistance

Print out

An attempt by the print unions NGA and Sogat yesterday to rally support at a football match for their industrial dispute with Rupert Murdoch's Wapping-based newspapers was judged offside.

Norwich City football club turned down a £1,000 bid from the unions to publicise their case on advertising boards around the ground during Saturday's first division game against Oxford.

Norwich chairman, Robert Chase, says: "It is not a political decision. We simply do not want to be seen taking sides in an industrial dispute. This principle is worth far more than the quick gain to be made from the offer."

Observer

ECONOMIC VIEWPOINT

The great housing barrier

By Samuel Brittan

THERE IS one cause of unemployment which rivals excessive pay settlements in importance and indeed contributes to these settlements. This is the scandalous state of the housing market.

High and rising house prices together with the extreme difficulty of obtaining rented accommodation affect unemployment by two separate routes:

- They make it prohibitively expensive for many workers to move off the dole in the North to jobs in the South East. My article in *The Future of Work* (July 24) showed that a person on average male earnings would have to pay nearly half his real earnings to service a 90 per cent mortgage on a house in the South East costing £45,000.
- The difficulty of attracting many kinds of workers to the South East stimulates wage inflation in the South East and leads governments to apply the economic brakes when output is growing only modestly and national unemployment is still 11 to 13 per cent.

In the face of these pressures, the following policies are in force:

- Mortgage interest relief;
- Financial liberalisation;
- A highly publicised tightening of Green Belt controls.

It is not any one of these policies, but their interaction that does the most damage. Mortgage interest relief has existed for nearly a lifetime. But its effects on house prices are suddenly multiplied when offers of housing and other loans on easier and easier conditions flood into every letter box.

As someone who always insists on a "room with a view," I am a natural supporter of Green Belts.

But one would have to be born yesterday to believe that all of the Green Belts consist of the rustic scenery of *Paradise Postponed*, or that there are not many places of little scenic or amenity value. The opposition of south eastern Conservative activists to fresh development does not all stem from a love of rural vistas.

In the very long run—say the next century—the present clampdown may divert development to the North and the inner cities. But in the meantime the alternatives of developing abroad or not extending capacity at all remain as options. A more common-sense policy could still be combined with assurances about "not concreting over" the whole of the South East.

Unfortunately for mobility, the option of renting instead of buying is becoming steadily more difficult. Council houses are allocated on a waiting list system, and the stock of privately rented homes has dropped, under the influence of rent control, from 53 per cent of the total as recently as 1950 to 10.7 per cent in 1985.

During approximately the same three decades, more homes have been built than households started. The crude figures show a shift from an apparent deficiency of 947,000 dwellings in 1951 to an apparent surplus of 922,000 in 1981. While many dwellings stand empty, local authorities are having to house the homeless in bed and breakfast accommodation.

Martin Ricketts, who reminds us of these facts in a new study *Lets into Leases* (Centre for Policy Studies, £4.60), compares the problem with "Soviet factories surpassing their crude production targets while shortages of particular qualities and sizes of the product are rife."

There is nothing inevitable about the decline of private renting, and there can be a property-owning market economy without universal home ownership. In West Germany privately rented accommodation accounts for nearly 60 per cent of the total.

As Ricketts remarks: "There is nothing particularly sophisticated about owner-occupation, which is as likely to flourish in environments where capital markets are primitive and ideas about tradeable property rights undeveloped as it is in an advanced economy." Bangladesh has the highest proportion of owner occupiers, with 90 per cent, and Switzerland the lowest, with 30 per cent.

Ricketts's most important chapter establishes the desirability of tenure as an alternative to owner occupation. Available mortgage contracts imply a fairly rapid real repayment rate even when the mortgagor is young and relatively poor. In countries with fewer rent restrictions people typically buy their houses much later in life than in the UK. Low start mortgages could, in principle, improve the time profile. But they are still rare and run the risk that, if house prices fall, the outstanding mortgage may exceed the market value of the house, leaving the householder bankrupt.

More fundamentally, as Ricketts puts it, "for each person to own the house in which he lives runs directly counter to the idea that risk-averse people will prefer to hold a small stake in a wide variety of property." First-time buyers are often extremely vulnerable because of high gearing. "Safe as houses" may come to have "increasingly ironic connotations" as home ownership extends down the scale.

The link between rent control and the decline of rented accommodation can bear repetition. Not only does the supply of new tenancies dry up, but both landlord and tenant have an incentive to arrange for the tenant to buy existing properties. Improvement grants do not prevent a cycle of renovation and dilapidation. Rent control encourages some people to live at artificially low densities in unfurnished accommodation, while homeless households are crammed into expensive hotel or furnished accommodation.

There have been two limited partial moves to liberalise rented accommodation: *shorthold* and *assured tenancies*. But they have had only a limited impact, as Ricketts shows.

A more fundamental but gradual change—the decontrol of new tenancies—was rejected by the present Cabinet, despite the Prime Minister's support. Would its fate have been different had she given it the same intense and prolonged backing that she did to the less good causes of attacking domestic rates and abolishing the metropolitan councils?

HOUSE PRICES

	Average price £	Increase over year ago %
Greater London	64,000	25
SE England	57,500	20
Yorkshire area	27,000	7.5
All UK (including N Ireland)	41,550	13.6

Source: Halifax Building Society

HOUSING STOCK

By tenure (%)

	Private rented etc	Public rented	Owner-occupied
1950	53.0	18.0	29.0
1960	31.9	25.8	42.3
1970	18.9	30.6	50.6
1980	12.7	31.2	56.2
1985	10.7	27.3	62.0

Source: Building Societies Association

The problem with rent decontrol is that it would only increase the supply of rented housing if it were expected to last. Political unpopularity arises because sudden decontrol does leave existing tenants worse off. A scheme that could overcome opposition would have to avoid this distributional change and yield benefits quickly and preferably in marketable form.

What then does Ricketts propose? I rubbed my eyes slightly. For it is, as he generously acknowledges, a proposal I made 10 years ago: that rights to rent-controlled property should be specified exactly and then made tradeable. Perhaps the hour has now come for this idea.

The main difference is that—inspired by news stories of illegal trading in accommodation by council tenants in London's East End—my proposal related to council houses, while Ricketts's relates to private tenancies. But I do not see why rights to both kinds of tenancies should not be made tradeable.

Of course, there are many details to be decided. Ricketts suggests that the property rights should generally be for five to 10 years, confined to unfurnished accommodation and to tenants who have been in occupation for a minimum period.

Final decontrol would arrive as the leases ran out. But, well before that, a flourishing market in secondary letting would arise, either directly or through financial intermediaries.

The reason why tradeable occupancy rights might amount to a very cheap lunch from a policy viewpoint is that a restriction is removed. A willing existing occupant and a willing secondary tenant agree to an exchange which is to the advantage of both, but was previously not permitted. A vested interest would steadily be created against the reimposition of rent control.

The lunch is cheap rather than free mainly because new tenants will be paying more—until supply responds—than if they had been lucky enough to obtain a traditional controlled tenancy; and therefore modest additional sums may be spent on housing benefit. This represents a much better bargain than 99 per cent of existing government spending.

Any measure of rent deregulation will, however, have its full effects only if privileges for owner occupiers are also reduced. What they are needs a little explanation.

A landlord investing in rented property has to pay tax on his income from rents. But if he lives himself in identical property, he will not pay any tax on the annual value of the house. There used to be a tax on imputed rentable values, known as Schedule A; but it fell behind realistic market levels and was abolished in a Conservative "reform" of 1963. There is thus now a strong distortion in favour of owning and against renting.

The campaign to phase out mortgage interest relief is a second best undertaken in the knowledge that taxes on imputed non-cash income are even more politically unpopular than taxation of mortgage interest.

The most retrograde step imaginable would be an increase in the ceiling for that relief, similar to that introduced before the 1983 election. It will be no use the Treasury arguing, as it did in 1983, that it fought off a Prime Ministerial demand for an even bigger rise to £35,000 instead of £30,000. As the desirable move is *downwards*, any increase will be a severe defeat, and one on which any Chancellor should resign rather than accept orders from next door.

On the positive side, the best we can hope for is the abolition of mortgage interest relief against the higher rates of tax in return for a cut in these rates themselves. The latter stick out badly as internationally uncompetitive after the US tax reform. Even to achieve this modest reform will require a mighty battle against the strongly entrenched prejudices which reign in this field.

Lombard

German nuclear white elephant

By David Marsh in Bonn

WACKERSDORF might sound an unlikely name for a white elephant, but that is what West Germany's planned nuclear processing plant in eastern Bavaria could turn out to be.

The factory is backed by big utilities and the Bonn government as a key and highly symbolic feature of the country's bid to increase its overall technological clout in the civilian use of nuclear energy. It is designed to come into operation by 1995, separating spent uranium fuel from nuclear plants into reusable uranium and plutonium.

Whether or not this starting date will be met is just one of the many uncertainties overhanging the project. Wackersdorf has over the past year or so borne the brunt of the strong and sometimes violent German anti-nuclear movement. In addition, with the drastic international fall in value of the prospective plant's main product, plutonium, the DM 10bn project is now bedevilled by increasing economic as well as political difficulties.

The Wackersdorf plan represents the most ambitious effort so far by West Germany to catch up with the nuclear know-how lead established since the war by the US, Britain and France. West Germany at present relies on France for nuclear reprocessing and dependence rankles.

But by putting its eggs into the nuclear reprocessing basket West Germany may be about to commit a gigantic waste of resources. Planning for Wackersdorf appears still to be based on outdated nuclear power scenarios. In the mid-1970s, reprocessing plants were seen as a vital link in the chain under which first generation nuclear power stations would progressively feed plutonium-burning fast breeder reactors which can be operated to regenerate freshly-useable plutonium and were seen as opening the way to something akin to perpetual motion.

Fast breeders would allow the West to cut down considerably dependence on imports of uranium, which under the heady nuclear projections a decade ago would have grown to dangerously high proportions in the early years of the next century.

Under the impact of the second oil crisis, much more efficient energy saving, the Three Mile Island and, now, Chernobyl accidents, the prospects have changed dramatically. It is difficult to believe now that in 1976 the French Atomic Energy Commission (CEA) was predicting that by 2005, fast breeders might be on stream around the world with a capacity of 600 gigawatts—representing 500 plants of the size of France's Superphénix breeder which went on stream this year.

In fact, it can now be calculated with a fair amount of certainty that by 2005 only, at most, half a dozen, commercial fast-breeders (Superphénix among them) will be in operation. The main outlet for reprocessing plants' production has simply vanished.

The German nuclear engineers, behind Wackersdorf recognise this. They say that the plutonium from the plant will be used not to fuel the non-existent fast breeders but to recycle back into first-generation plants—a route which the nuclear industry knows is costly and inefficient.

A report from the OECD's Nuclear Energy Agency, grouping nuclear civil servants from the main industrialised countries, has recently stated that the cost of producing plutonium from reprocessing plants "is not offset by the value of the materials produced." The NEA has said direct disposal of spent nuclear fuel is more economic than reprocessing.

The foundering basis of Wackersdorf has been seized on by the Opposition Social Democratic Party (SPD). It has drawn on past statements of some Right-wing German politicians to suggest that the government is pushing forward with Wackersdorf to keep open the option of building nuclear weapons.

This is almost certainly nonsense, but has brought a new dimension into what is already a highly charged debate. Given the nagging economic doubts, the government and utilities might be well advised at the very least to postpone the Wackersdorf starting date for a few years and use the breathing space to direct more energy and money into direct disposal of spent nuclear fuel. There could be far better ways of spending DM 10bn.

Letters to the Editor

No climbing the Chinese Walls

From Mr D. Short

Sir,—The Boesky and Collier affairs invite a simple solution. Let no one scale a Chinese Wall. If the mergers and acquisitions and securities arms of a financial conglomerate are not allowed to pool their resources until the hours before the announcement of a bid, then there is precious little reason why they should both be consulted.

The idea that the head of securities or equivalent should be brought in at the very last moment to advise on price is massively absurd. The very notion reminds me of occasions when I have passed various houses in the company of a friend of mine, a surveyor with a leading building society, and idly asked him how much he thinks they are worth. "Ooh, very hard to say, I'd really need to take an afternoon," is the usual answer. Now, you, I or the rest of the Clapham omnibus, without the benefit of RICS membership, would shout out "£75,000-£77,090," and be within 2 per cent of a "professional" opinion.

If the average householder had spent as much time studying the equity market as he has the housing market, he would be as equipped as the average "securities expert" to price an issue.

The ability to spot companies, public or private, which would benefit from a merger or offer from another company, for strategic, product, or market benefits, and not just financial reasons, is an undoubted skill with a value to the economy and the financial community.

The practice of that skill, and its tendency to precipitate takeovers unwanted by sleepy management, should be encouraged, and not be under suspicion because of one or two seedy episodes.

David Short.
877b, Finchley Rd, NW11.

Why take risks?

From Mrs A. Barrett

Sir,—From the point of view of a mother, very concerned about the future of her children, the recent correspondence regarding the economics of the nuclear power industry appears to be quite irrelevant to the situation. Mr P. E. Watts, economic adviser to the CEGB, has stated that the risk of an accident at the proposed Sizewell B power station would be only one in a million years. Why should we have to accept any risk at all to our lives from the nuclear industry—let alone the risk of an accident so terrible that it could bring to an end life in Britain as we know it? Moreover, who knows if that one-in-a-million year accident might happen tomorrow or in a million years' time?

If nuclear power stations are considered to be so safe, why is Sizewell B not being built in the middle of London on the Thames like Battersea Power Station? Because the USSR is such a vast country, when Chernobyl happened people from Kiev—60 miles away—were able to be evacuated to Moscow, some six hundred miles away. Whereabouts could we be evacuated if a similar accident happened here, at any of our nuclear power stations?

My point is that a tiny island like ours is just not suitable for all these stations.

Mrs Anne Barrett.
59, Hinton Avenue,
Cambridge.

Pension fund assets

From Mr G. Price

Sir,—Recent correspondents writing about pensions seem to miss the essential nature of pension fund assets: that they represent the life savings of the members. And it is the purchasing power of such assets up until the death of the pensioner that is relevant.

A pension that is not kept in line with inflation lacks the essential quality of certainty and represents theft of the contributors' savings. Professor Hannah is surely right in saying: "The law on both surpluses and deficits is an ass." How clever of the Government to introduce private equity pension plans; by this stroke it has nicely complicated the matter of allocating responsibility for maintaining the real value of the contributors' life savings.

Geoffrey Price.
Savers' Union,
3½, London Wall Buildings,
London Wall EC2.

Some employment for all

From Mr P. Ashby.

Sir,—Mr Samuel Brittan is exceptionally persuasive when he argues the need for a new "moral legitimacy" for economic policies (November 20). And he is right to say that the option of basic incomes, or social dividend, would not come cheaply.

He omits to say that the crucial factor determining whether we could afford basic incomes would be the extent to which they accelerate the process of employment-creation, and thereby extend the tax base.

Considerable research is now being conducted into the feasibility of basic incomes throughout Europe, and the early signs are that they would encourage the growth of part-time jobs and new business start-ups: the two key growth areas in just about every west European economy. What we really need is a dynamic model of European economies so that we can assess the likely impact of basic incomes on the labour market—then we could judge whether we could afford them.

It is agreed by nearly all researchers in this field that the most we could offer would be "partial" basic incomes, which people would need to top up through paid employment. Partial BIs would not offer an alternative to employment, as Mr Brittan suggests, they would need to go hand-in-hand with a redefinition of full employment away from "full-time employment for some" to "some employment for all."

Peter Ashby,
(Joint Chairman),
Basic Income European
Network,
79 Prince George Road, N16.

Life company accounts

From Mr J. Ross.

Sir,—W. E. Lee (November 4) highlighted the inadequacies of life company accounts from an investor's point of view. I agree that a more realistic valuation of liabilities noted in the balance sheet would be useful in assessing a company's value. This earnings approach — the added value in a trading year — is very complicated however, and still does not permit direct comparisons with companies using more conventional accounting methods. A simpler addition to the analyst's armoury is "asset value" — the difference between existing assets and liabilities on a realistic valuation basis plus the discounted value of profits likely to be earned on future business.

A comparison of the "asset value" per share with the price gives a rough guide as to the cheapness or otherwise of a particular share. It is also possible to track the relationship between "asset value" and share price over a period.

A supplementary use for a "realistic" valuation would be in assessing the financial strength and bonus potential of a life company. With "best advice" assuming a higher profile because of the financial services legislation and bonus projections being given less emphasis as a marketing device, a realistic appraisal of financial strength is becoming increasingly important.

John A. Ross,
Wood Mackenzie & Co,
74-77 Queen Street,
Edinburgh.

Transferring a title

From Mr S. Best

Sir,—Rachel Waterhouse, chairman of the Council for Licensed Conveyancers (November 15) doth protest too much.

The training of licensed conveyancers, like that of legal executives (not, as many imagine, members of the legal profession but solicitors' clerks who have taken certain examinations of the Institute of Legal Executives) is narrowly specialist, whereas both solicitors and barristers who provide the two branches of the legal profession have to undergo five years' training (including articles/pupillage) in most aspects of the law. In the result the solicitor conveyancer can deal not merely with conveyancing law and practice but will also be able to cope with the other areas of law which in so many cases arise for consideration on the sale/purchase of a house when, for example, the parties are in the throes of a divorce or are disposing of the estate of a deceased person.

To train an individual in the art of conveyancing and then to allow him, unlike the legal executive, to work unsupervised is a recipe for disaster. However much whitewash Mrs Waterhouse applies, the facts speak for themselves and it is the public who will ultimately suffer.

Stanley Best.
Glebe Cottage,
Broadwoodkelly,
Winkleigh, Devon.

Untold Sids

From Miss S. Ross

Sir,—As it would happen my name is Sid (although I rather prefer the non-abbreviated version).

I have been a resident of the UK for the past 13 years and welcomed my green application form for the British Gas Share Offer when it arrived this morning. Imagine my surprise when I learned from the prospectus that as a US person I am not eligible to subscribe in the UK as a long-standing customer of British Gas. Couldn't this point have been made clearer to potential US (and Canadian) investors? No doubt many others also wasted their time (and raised their hopes) in seeking a prospectus and application form as I did.

They should not have bothered to tell *this* Sid.

(Miss) Sidney Celia Ross.
18, Kensington Court Place,
W8.

FINANCIAL TIMES

Thursday November 27 1986

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Chris Sherwell on UK attempts to stop publication of a former agent's memoirs

UK angers judge in spy case

THE BRITISH GOVERNMENT "is doing its damnedest" to stop anyone getting near documents being sought in relation to its bid to suppress the memoirs of a former spy, an irritated Australian judge charged yesterday.

While remaining courteous and polite, Mr Justice Powell was unable to hide his deep puzzlement over the UK position. In a series of remarkable interventions during the eighth day of hearings in the New South Wales Supreme Court on Britain's application to prevent publication of former MI5 agent Peter Wright's book, the judge:

● criticized the British side for not raising the issue of "public interest immunity" sooner to avoid producing documents on a 1981 House of Commons statement by Mrs Margaret Thatcher, the British Prime Minister, and the Government view of previous publications about MI5, the counter-intelligence agency;

● said he found it offensive, odd and hard to accept that the British Government could come to a court as a litigant and then say it could not get anywhere near the evidence;

● indicated strong distaste for the implicit British suggestion that the Australian courts might not be able to keep secrets contained in the documents;

● reminded the British Government that the relevant public interest in the case was the Australian public interest, which might not be the same as the British – to which the UK responded by identifying the two as one;

● *said the court was in effect being invited by the UK not only to butt into a British fight but to referee and decide it as well;*

● still expressed difficulty understanding British worries over disclosure when previous publications by "outsiders" had revealed agents, informers, defectors and operations;

● Suggested that justice could not be done unless the documents were made available, and intimated that if they were not, "it would be abundantly clear to everybody that the British Government . . . is doing its damnedest in this case to stop anyone getting near these documents."

Perhaps most significantly, the judge asked numerous hypothetical questions suggesting that UK Government decisions in the past on whether to try to halt publications about MI5 might have depended on political considerations as much as national security.

Referring specifically to the publication in 1981 of Mr Chapman Pincher's book, Their Trade is Treachery – the first book to suggest that Sir Roger Hollis, a former head of MI5, was a Soviet agent – the judge wondered aloud if the British Government had really received advice not to stop publication.

This matter is important because it is part of the defence case that

Mr Peter Wright: his book threatens British security, the Government claims

Mr Pincher's book was an attempt by the British Government to get its version of the information about Sir Roger Hollis into the public domain.

The background to Mrs Thatcher's 1981 Commons statement, made on the same day Mr Pincher's book was published, is sought because the Prime Minister acknowledged that Sir Roger had been investigated but indicated there was no proof to show he was a double agent.

Mr Wright, though a source for Mr Pincher's book, is believed to contest this view. The defence hopes the documents will show that Mr Pincher's work was, in effect, authorised, thereby undermining the British case for suppressing publication of Mr Wright's memoirs.

As anticipated earlier this week, the government claimed "public interest immunity" in an attempt to avoid producing some of these documents.

An affidavit filed in support of the claim by Mr Christopher Mallaby, deputy secretary of the British cabinet office, maintained that the documents contained information which was highly confidential.

Not only might the documents confirm the truth of matters previously unauthenticated, the affidavit stated, they would also reveal the names of officers in the MI 5 security and counter-espionage service, disclose details of its operations, identify sources of information, and disclose the identities of persons investigated.

According to the British side, the papers were so harmful to national and international security that the judge ought to decide the issue without even seeing them. If he insisted, the Government would let him see them but would appeal if he permitted them to be *shown* to the defence.

Intense legal argument ensued as the UK side urged Mr Justice Powell to make his judgment in light of the fact that Mr Wright's memoirs were different from other accounts because he was an "insider" who carried the stamp of authenticity.

Australian cattle baron heads for market

By Terry Povey in London

AUSTRALIA'S biggest cattle producer is coming to market – and not just with its 300,000 head of livestock. Sherwin Pastoral, which runs its enormous herd over an area roughly equal to the size of Scotland, is seeking a listing through an offer for sale valuing it at A$67m (US$43m).

The glossy 124-page illustrated prospectus says the family-owned-and-run business spread across the Northern Terrority and south-western Queensland wishes to repay debts built up through its aggressive land acquisition programme.

Mr Peter Sherwin, who founded the business 29 years ago, like many of the world's great cattle ranchers, is a Texan – but from Texas, Queensland rather than the Lone Star state. Mr Sherwin has had a 40-year career as station hand, stockman, musterer and drover. He lives on one of the stations and rarely leaves his properties. Australian financial institutions have had to fly across the continent to meet him.

At present Sherwin has only five issued shares. After the flotation of 67.2m shares at A$1 each, 50m will be in public hands and the rest will be owned by Peter and Florence Sherwin. Net of expenses, the issue should raise A$47.2m, of which A$42.2m will go to Elders Rural Finance to repay part of the company's debts and A$5m will go to the Sherwins. In addition, the Sherwins have an option on 5m additional shares exercisable at A$1 each from January 1, 1988.

In the year to June 1985, Sherwin made a net profit of only A$29,000 as pre-interest profits of A$5m were virtually eliminated by A$4.9 worth of bank charges. Assets of the four-legged kind accounted for 70 per cent of Sherwin's total assets of A$104m as of April 30. Net assets are estimated at A$1.14 a share on a pro-forma basis for Decemeber 31.

While the recent profit performance has been erratic, Mr George Cridland, a non-executive director, believes that with the repayment of the bulk of the debt, the growing herd will see the number of cattle going to market reach "67,000 head even if we stand still on land purchases." In 1984-85, 14,700 head were delivered to the slaughter houses.

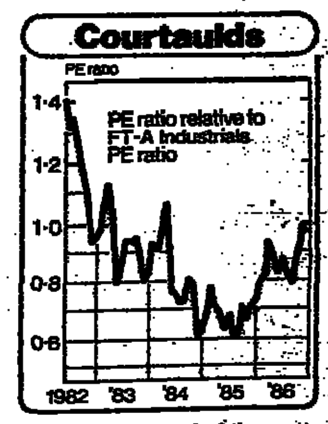
The Sherwin share offering is being underwritten by brokers McIntosh Hamson Hoare Govett, which is forecasting profits for the 12 months to April 1987 of A$9.6m. On these earnings the prospective multiple will be seven and the dividend yield 9.5 per cent net.

The company hopes too that between 30 and 40 per cent of the 50m shares on offer will be taken up outside Australia, including some 5m in the UK. Applications for the shares close on December 3 and trading in them is due to start on December 18.

THE LEX COLUMN

Cut from the whole cloth

A re-rating of Courtaulds has, believe it or not, been going on for more than a year. After that long trudge back to respectability, when the market persistently refused to impute any multiple to the upward trend in earnings, Courtaulds appears to have broken into a phase where each step forward does its bit for the relative valuation of the shares. Yesterday's dramatically *improved result for the six months* to September should continue the process: pre-tax profits up 36 per cent to £82m pushed the shares up 8p to 323p and gave the London equity market a brighter tone all round.



It can, however, be a double-edged thing to make £10m more than the City of London expects, the more so when a good part of the extra comes from windfall profits in fibres. Clearly, Courtaulds cannot rely on swings in the oil price – or even a favourable translation effect – to repeat the trick in the next half. But it makes a great difference to the market to hear that the oil effect on acrylic margins has been judiciously shared with customers, avoiding the sort of backlash that would have been waiting round the corner for the Courtaulds of the 1970s.

If there is anything up to £10m of good fortune in these figures, they also provide a good picture of the improved quality of the business. Even in the devastated state of the offshore oil industry, International Paint managed to hold profits steady; the same sort of thing has been true of other Courtaulds businesses operating in tough markets.

It would be surprising – given the ultra-confident boost to the dividend, way ahead of the growth in earnings for the half-year – if Courtaulds did not have something in reserve to keep up the momentum for the full year.

AE

In one sense it was a private issue between Mr Maxwell and himself how much cash Hollis would decide to offer for AE. But to make the increase to 280p conditional on getting sufficient support, and then go firm on that increase does seem to imply that a high degree of support was forthcoming. A pity, then, that Hollis has not decided to say how much.

If a majority of cash acceptances were already in the bag, of course, that would be an end of the matter. For shareholders whose tax position enables them to take their winnings in cash, it probably is.

But the stubborn resilience of Turner & Newall's share price does leave a chink of doubt about those who would prefer to roll their liability over.

Up 6p to 183p yesterday, Turner's share price implies that anyone who actually received a maximum of paper under the mix-and-match offer would be getting the equivalent of 285.4p a share. But that is forgetting about the T&N overhang.

Investment Trusts

After 60 years of study, it takes real dedication to sound enthusiastic about investment trusts. It is an industry slow to evolve and pinpointing the moment when, for example, ape became man is impossible. So Alexanders Laing & Cruickshank's conclusion, in its 60th investment trust annual, that the sector is now in for a period of excitement could as easily have been said a year ago and may be argued again next year.

That something is stirring cannot be denied, however. There is more cut and thrust in the trust sector, and a discernible narrowing of discounts.

The trust takeover as a disguised rights issue is by no means new. What is new, though, is the idea that a trust the size of Philip Hill, at £330m, is vulnerable.

The arrival in London of the likes of Goldman Sachs, which was ready to take the portfolio and do the bidder's dirty work of liquidating it, makes the job much easier. Add to that the various hedging techniques offered by futures and options, and a bidder's market risk can be neutralised. And with Big Bang reducing dealing costs as well, 20 per cent plus discounts are just begging to be narrowed.

Discounts should not close entirely because there are expenses, and bidders do prefer to make a profit. With 200 trusts around to choose from, a general shift from the present level of discounts to, say, 10 per cent will not take place within months, maybe years.

Nor are investors particularly keen to see their potential capital gains tax liability crystallise. Even so, life is going to be a lot less cosy for trust directors and managers in future.

Liquidity

The effect of the new integrated financial services company on the tradability of second-line stocks is one way of judging whether the new way of life in the City of London is giving the investor a better deal. Mutual suspicion among these department stores of the City may have the strange – if temporary – effect of preserving some small monopoly positions as market maker in the gamma or delta stocks. It appears that some conglomerates have already vetoed internal demand to make markets in such stocks where the sole existing market is made by brokers to the company.

This does not amount to a wholesale suspicion of the efficiency of Chinese walls, and far less is it a reaction to the Collier affair. But the thought that a competing market maker just might have access to the information that could double the market value of a thinly traded stock has clearly had some influence. In the good old days it was at least possible for jobbers to correct their book in third echelon stocks through knowledge picked up on the trading floor of the stock exchange. The Seaq screen is a fine device (when not overloaded), but what it displays is information, not knowledge.

Yet if the gamma stocks are traded by only one market maker, then the spreads may become as wide as a monopoly position will allow. The chances are that the smaller dealers, unable to cope with razor-sharp competition in the blue chips, will increasingly turn their attention to the area where margins, if not great turnover, can be achieved.

Europe to consider limits on bank debt

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Commission is to propose new rules for banks and other lending institutions in the EEC, setting common limits for their debt exposure to big borrowers and calling on central banks to police their operations across Community frontiers.

The plans were agreed by the Commission in Brussels yesterday, but only in the form of a recommendation to finance ministers, rather than a fully-fledged EEC directive.

They propose a minimum level of harmonisation of banking rules on debt exposure to underpin the progress towards the eventual free movement of capital within the 12 member-states.

The proposal would require banks to notify their national authorities – normally the central bank – whenever a debt exposure to one borrower exceeded 15 per cent of their "own funds," in other words, its capital assets.

It would set an individual limit on lending to any one borrower of 40 per cent of own funds.

The Commission also proposes that the combined total of all large loans by any lending institution should not exceed 800 per cent of its own funds.

It also suggests for the first time that the rules on debt exposure should be policed by central banks on a consolidated basis – that is to say, taking into account the exposure of subsidiaries of the bank concerned in all the EEC member-states at once, and not just in its home country.

The proposal is merely a recommendation – although the Commission would hope that it eventually becomes a directive – because of the sensitivity of the central banks to any suggestion that Brussels is laying down rules.

However, it seeks to build on a proposed directive put forward by the Commission in September setting out common definitions for the "own funds" – effectively the capital base – of any lending institution. That plan, yet to come before the EEC finance ministers, has already run into resistance from central banks, simply because of its legal form.

The Commission has drawn up a table of differing forms of loans and guarantees provided by banks.

Mr Jacques Delors, the president of the European Commission and moving force behind the liberalisation of capital movements, has said that some harmonisation of banking supervision rules must underpin the process.

EEC, Japan agree steps on liquor row

BY WILLIAM DULLFORCE IN GENEVA

JAPAN agreed yesterday that the European Community's long-standing complaint against its duties and taxes on imported wines and spirits, including Scotch whisky, should be settled early next year by a disputes panel under the General Agreement on Tariffs and Trade (Gatt).

The wines and spirits issue has been described by Mr Willy de Clercq, the EEC Commissioner for external affairs, as a test of Japan's willingness to fulfil its promises to reduce import barriers.

The EEC has been conducting a systematic campaign for several months to get swifter action from Tokyo, which has claimed all along, that its customs duties and taxes on drinks are consistent with Gatt.

Direct negotiations with the Japanese on wines and spirits got nowhere and last week Japan blocked a request to the Gatt council for the urgent establishment of a disputes panel.

A panel would be premature, Japanese officials argued then, because a comprehensive package of tax reforms to be announced next month in Tokyo was likely to open the way for a settlement. The EEC expressed its "bitter disappointment" at the impotence of the Gatt council.

Yesterday, on the sidelines of the Gatt annual meeting, the two came to a "gentlemen's agreement" that a disputes panel would be set up at the first Gatt council meeting in the new year if the EEC found the proposed tax reforms unsatisfactory.

The panel's members and terms of reference were also agreed.

The Japanese Ambassador to Brussels will call on Mr de Clercq today to outline the tax reforms proposed by Tokyo. EEC officials do not expect them to change the situation significantly.

EEC exports of wines and spirits to Japan are running at an annual level of some $170m and Brussels estimates they could be doubled if protective Japanese import charges were removed.

Top grade "special" Japanese whisky retails in Tokyo at Y3,170 a bottle compared with Y4,150 for a bottle of standard, blended Scotch whisky and with anything between Y7,000 and Y15,000 for de luxe Scotch, according to the Scotch Whisky Association.

It says production costs for Japanese whisky are about Y200 a bottle compared with Y260 for standard Scotch and about Y350 for de luxe grade.

UK attacks Japan trade barriers, Page 6

Britain steps up Gulf role

Continued from Page 1

said yesterday that from radar coverage on the Omani side of the Strait of Hormuz, it appeared that Iraqi jets might have mistakenly hit the oil platform, which is 100 miles off the Abu Dhabi coastline and close to similar Iranian installations.

But they did not rule out the possibility that the attack had been deliberately carried out by Iraq as part of a campaign to enlist further Arab support against perceived Iranian aggression. However, Western military sources tended towards the view that the Iranians had launched the attack using Phantom F-4 aircraft.

Another tanker, the Luna, was hit in Iranian waters yesterday while shipping oil from Kharg Island to Larak Island. Damage was said to be slight.

UK 'faces growing trade deficit'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

LIVING standards in Britain may soon be overtaken by those in Italy, despite the persistent disruption of Italian economic policy by changes in government, according to a leading US economic research institute.

In a comparative study of the British and Italian economies, the National Institute for Economic and Social Research's review says that output per worker is higher in Italy than Britain, but the effect on living standards is offset by the higher number of people at work in Britain. If the economic growth rates of the past 10 years are projected forward, however, the standard of living in Italy will be higher than in Britain.

The institute says the post-war economic experience of the two countries shows a . number of striking similarities, particularly the combination of rising unemployment and relatively high inflation in the recent past. Trade union militancy and inflexible labour markets have also been shared characteristics.

Britain faces a large and growing trade deficit over the next two years combined with a worsening outlook for inflation and higher public borrowing, says the country's National Institute for Economic and Social Research. The current account of the balance of payments will show a deficit of £5.6bn in 1987 and a further shortfall of £7.2bn the following year. **Page 8**

In contrast the policy approaches adopted by governments in the two countries show a number of fundamental differences. In the last few years, for example, Italian anti-inflation policy has been conducted within the parameters of full membership of the European Monetary System.

The recent success in reducing inflation in Italy has been achieved without solving the problem of a huge budget deficit and rising national indebtedness, which the institute says is unsustainable over the long term.

On the other hand, Italian companies, particularly large ones, have been strikingly more successful than their British counterparts in adopting new technology

Among the lessons to be drawn from Italy's experience, the institute says, are that indiscriminate fiscal expansion does not necessarily prevent unemployment from rising strongly. That suggests that any fiscal reflation to boost employment should be selective, concentrating on tax cuts or spending increases which are job-intensive.

Details, Page 8

French banks face chaos

Continued from Page 1

them trade union-backed, recognise the problem, but wanted the banks to agree to a one-year ceasefire on the introduction of charges while they undertook an awareness campaign to dissuade people from writing cheques for trivial amounts.

This plan is, in fact, being adopted by Crédit Mutuel de Bretagne, an aggressive co-operative bank with a dominant market position in its region, which is refusing to put in place a tariff which it regards as "unjust and blind."

Most French banks, however, are still in close harmony, even if they may not be singing exactly the same tune on how much to charge for services. Tariff guidelines have been circulated, but the banks are adopting different permutations of the basic charging elements from January 1.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	18	64	Dubrovnik	S	20	68	Malta	–	—	—	Rhodes	–	—	—
Algiers	S	19	66	Edinburgh	C	7	45	Manchester	C	7	45	Rio de J'o	C	38	100
Amsterdam	F	11	52	Faro	S	18	64	Manila	S	31	88	Rome	S	17	63
Athens	F	18	64	Florence	S	14	57	Melbourne	C	16	61	Salzburg	S	9	48
Bahrain	S	22	72	Frankfurt	C	10	50	Mexico City	C	21	70	San Francisco	C	22	71
Bangkok	S	30	86	Funchal	F	18	64	Miami	C	28	82	Seoul	S	0	32
Barcelona	S	16	61	Geneva	S	9	48	Milan	S	9	48	Singapore	R	29	84
Beirut	–	—	—	Gibraltar	S	18	64	Montreal	C	3	37	Stockholm	C	11	52
Belfast	S	7	45	Glasgow	R	6	43	Moscow	D	−2	28	Strasbourg	S	12	54
Belgrade	Fg	5	41	Guernsey	F	9	48	Munich	S	14	57	Sydney	S	27	81
Berlin	S	11	52	Helsinki	C	9	48	Nairobi	C	18	64	Taipei	C	17	63
Biarritz	C	13	55	H. Kong	C	17	63	Naples	S	20	68	Tangier	S	20	68
Bombay	S	32	90	Innsbruck	S	7	45	Nassau	C	29	84	Tel Aviv	S	21	70
Bordeaux	C	12	54	Inverness	F	5	41	New Delhi	C	27	81	Tenerife	F	21	70
Brussels	F	10	50	Islamabad	R	14	57	New York	R	7	45	Tokyo	C	11	52
Budapest	S	7	45	Istanbul	D	10	50	Nice	S	16	61	Toronto	C	2	36
B. Aires	S	27	81	Jakarta	R	30	86	Nicosia	S	21	70	Tunis	F	19	66
Cairo	S	23	73	Jersey	S	10	50	Oporto	S	14	57	Valencia	S	16	61
Cape Town	S	23	73	Jo'burg	T	20	68	Oslo	R	7	45	Venice	S	12	54
Caracas	C	26	79	Lima	S	22	72	Paris	S	11	52	Vienna	C	5	41
Casablanca	C	16	61	Lisbon	S	15	59	Peking	S	2	36	Warsaw	S	11	52
Chicago	C	5	41	London	S	10	50	Prague	S	8	46	Washington	–	—	—
Cologne	C	12	54	Los Angeles	S	12	54	Reykjavik	C	−1	30	Zurich	S	9	48
Copenhagen	C	10	50	Luxembourg	R	8	46								
Corfu	–	—	—	Madrid	S	11	52								
Dallas	–	—	—	Majorca	S	18	64								
Dublin	S	8	46	Malaga	S	18	64								

Readings at mid-day yesterday.
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Soviets encourage private sector

Continued from Page 1

republics, might lead to few restaurants or other ventures being started in Moscow and the other major industrial cities in the Russian republic.

He said there were also bound to be teething problems over prices and the delivery of wholesale supplies.

Dr Abalkin also explained moves to cope with the more general problem of Soviet prices, whereby the low cost of basic foodstuffs – food subsidies will cost 58bn roubles in 1987 – and rising real income have led to demand always exceeding supply.

He said: "There was a proposal to raise the price of foodstuffs while compensating those with lower incomes by raising wages, but this had been rejected because it would not increase the basic supply of goods.

Instead, prices would be raised for better quality foodstuffs, larger accommodation and fashionable goods. "The main change will not be putting up prices but linking prices to quality," Dr Abalkin said.

● Indian prime minister Rajiv Gandhi and Mr Gorbachev discussed Afghanistan and other regional issues and police blocked protests by Afghan refugees, AP reports from New Delhi.

Mr Gorbachev and Mr Gandhi met for nearly four hours, focusing on regional matters and Indo-Soviet cooperation in science and technology, Government spokesman Sharada Prasad told reporters.

He and Mr Gandhi have met for almost eight hours in two days during Mr Gorbachev's four-day trip, but few details of the discussions have been released.

One source said that Mr Gandhi was pressuring the Soviet Union for an early withdrawal of its troops from Afghanistan and a political settlement to that country's Moslem insurgency.

Afghanistan also came up in separate talks between Soviet Foreign Minister Eduard Shevardnadze and his Indian counterpart Mr Narayan Tiwari, according to Mr Prasad, the spokesman.

The following General Appointments appeared yesterday:

Head of Personnel

UK Fund Manager

Money Market Dealer

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Commercial and Contracts Manager—Aviation

Chief Executive—Stockbroking

Director—Commercial Property Lenders

Head of Treasury

Head of Marketing

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INTERNATIONAL APPOINTMENTS

French Government brings in Socialist at GdF

BY PAUL BETTS IN PARIS

THE FRENCH Conservative Government yesterday appointed Mr Jacques Fournier, the secretary general of the former Socialist Prime Minister, as the new chairman of Gaz de France (GdF), the large French gas utility.

The appointment of a Socialist at the head of the key French utility reflects the current "spirit of cohabitation" in France with a Socialist President, Mr Francois Mitterrand, and a right-wing Prime Minister, Mr Jacques Chirac.

Mr Fournier, who is 57, was a member of the executive office of the French Socialist Party before becoming deputy secretary general at the Elysee Palace after President Mitterrand was elected in 1981. Mr Fournier subsequently became the secretary general of the Socialist Government in 1982 until the Right won the legislative elections last March.

Mr Fournier will be replacing Mr Pierre Alby, the chairman of Gaz de France who is stepping down, having reached the mandatory retirement age of 65.

The new chairman takes over at a particularly delicate time at GdF. The gas utility is currently waiting anxiously for the outcome of the complex negotiations between the French Government and the Norwegian authorities involving French ratification of GdF's share of a proposed US$60bn 27-year natural gas contract between the Norwegian state oil company Statoil and a group of European utilities including GdF.

The French Government is seeking trade compensation agreements from Norway in exchange for the GdF gas imports. In particular, the French Government wants Norway to offer French companies major offshore oil and gas service contracts and new permits for French oil groups in the Norwegian offshore.

Mr Fournier will also be taking over at a time when GdF is renegotiating its Algerian gas supply contract. Algeria and the Soviet Union are currently among the largest suppliers of the French utility.

New chief at Nomura New York

Mr Masaaki Kurokawa: taking charge of Nomura Securities International

NOMURA SECURITIES Company, the biggest of Japan's Big Four securities houses, has appointed Mr Masaaki Kurokawa chairman and chief executive of Nomura Securities International, its US subsidiary.

Mr Kurokawa succeeds Mr Yoshio Terasawa, 55 years-old. Mr Kurokawa, 48, has been lately a managing director in charge of international operations, based in Tokyo.

At the same time, Mr Katsuya Takanashi, 43, and lately a general manager in Tokyo in charge of international finance, has been appointed president of the New York subsidiary, in succession to Mr Akira Shimizu, 50.

Volkswagen fills top finance vacancy

BY ANDREW FISHER IN FRANKFURT

VOLKSWAGEN, the West German motor company, has chosen a replacement for Mr Rolf Selowsky, the 56-year-old finance director who is to step down next year after an apparent policy disagreement.

The replacement is Mr Dieter Ullsperger, a 41-year-old executive with Kloeckner-Humboldt-Deutz, the Cologne-based engineering company for which Mr Selowsky also previously worked.

VW has not said why Mr Selowsky is going when his five-year contract is due for renewal in 1987. But there have been widespread reports of boardroom arguments stemming from the plans of Mr Carl Hahn, chairman of the Wolfsburg-based VW, to appoint an 11th board member to exert more financial and accounting control over its expanding worldwide operations.

Mr Selowsky's own responsibilities would thus have been eroded. He will remain available as a consultant to VW for five years after his resignation. It is unclear whether Mr Hahn intends to re-introduce his plan for a new financial controller.

His proposal is believed to have caused considerable upset in the VW board when first put in April this year. The group has just announced a 13 per cent fall in profits for the first nine months of 1986 to DM 369m ($184m).

Montreal Stock Exchange chief quits

BY ROBERT GIBBENS IN MONTREAL

ANDRE SAUMIER, 54, has resigned as president of the Montreal Stock Exchange after 18 months in the post saying that he wants to pursue other interests.

The exchange says that his departure is accepted with "great regret."

Mr Saumier had succeeded Mr Pierre Lortie, an innovator who left to become president of Provigo, Canada's largest food distributor.

With heavy investments in automation and favourable provincial government policies, the Montreal Exchange has doubled its share of the combined Toronto-Montreal dollar volume of stock trading to around 20 per cent in the past few years. The ME has created now options and futures instruments in association with other North American and European exchanges.

However, it has lost three senior executives in the past few months and there have been reports of policy differences.

Euro-team for Fay Richwhite

BY DAI HAYWARD IN WELLINGTON

FAY RICHWHITE, New Zealand's leading merchant bank, noted for its innovative moves — as well as for its backing for the New Zealand challenge for yachting's Americas Cup, lately won by Australia from the US — has recruited the dealer team headed by Mr John Hibberd, from Credit Suisse First Boston, one of its stronger competitors in London, as part of a move to expand its dealings in Australian and New Zealand bonds into the northern hemisphere.

The switch by Mr Hibberd and four of his dealing team will boost the staff at the Fay Richwhite London office from three to eight. The New Zealand merchant bank plans to develop a substantial market.

"In terms of our NZ base and London we now have a bigger capacity for selling NZ dollar paper," says Mr Bill Birnie, an executive director

Accountancy Appointments

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Beyond functional responsibilities, the successful candidate will play a crucial role in the determination and implementation of new business strategies and in a policy of diversifying into new retail sectors.

Suitable candidates, probably aged 28-38, will be either a qualified accountant or MBA and must have held a senior financial role in a service/ fmcg industry and had involvement with the development of overall business policy.

Initial enquiries to Jeff Grout.

Robert Half Personnel, Freepost, Roman House, Wood Street, London EC2B 2JQ. 01-638 5191.

ROBERT HALF
FINANCIAL RECRUITMENT SPECIALISTS
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A Rare Accountancy Opportunity

...to develop your commercial skills.

Rural Warwickshire **Attractive Salary + Benefits**

Our client, a highly professional group of Engineers, Managers and Business Planners, provides key consultancy services to manufacturing industries. Its expertise spans business strategy, manufacturing technology and production engineering projects in the UK and abroad.

This appointment, resulting from continued expansion and increased business levels, is vital to the group's continued success. It calls for a financial professional able to handle wide ranging consultancy work. This will include forward financial planning, appraisal of financial systems and capital investment appraisal.

Candidates, ACA or ACMA qualified and educated to degree level, must have a *background in an engineering or manufacturing environment. A strong personality,* entrepreneurial skills, innovative flair and the ability to communicate effectively at all levels are the essential qualities.

Attractive salary; excellent benefits including BUPA, Permanent Health Insurance, Life Assurance and relocation assistance where appropriate.

Please write, in confidence, with full career details stating how these requirements are met to Allan McGregor, Ref. 25092.

MSL International,
Centre City Tower, 7 Hill Street, Birmingham B5 4UA.
Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International
Executive Search and Selection

Financial Accountant

C. £17,000 **City**

Young expanding City-based futures broker actively engaged in all areas of the futures markets is currently engaged on a programme of expansion into other financial service areas.

The expansion stems from an aggressive acquisition policy coupled with organic growth. This has created the need for more sophisticated management reporting systems. As a consequence, *the company is seeking* to recruit a Financial Accountant, to report to the Financial Director, who will take responsibility for development of new management information systems as well as all aspects of management and statutory accounting. In addition, there will be involvement in the implementation of systems in other companies recently acquired by the group, a major US agricultural produce company who are currently planning expansion in the UK.

The successful applicant will be a newly qualified graduate *ACA/ACMA* aged 23-28, with a good examination record. A knowledge of the futures industry would be an advantage, although is not essential. Of more importance are initiative, leadership, sound commercial awareness and the ability to communicate at a senior level.

Please write with a CV to:
R. M. Hudson, Finance Director
HEINOLD LIMITED
Plantation House, Mincing Lane, London EC3M 3DX

CHANCE OF A LIFETIME

"HANDS-ON" MANAGEMENT ACCOUNTANT

Our client, a small subsidiary of a major international organisation has just seen the completion of a leveraged buy-out.

The company, established four years, already commands a significant niche in its sector of the market and is poised for considerable expansion.

Your experience will include preparation of monthly and annual accounts, credit control, cost accountancy, general financial administration, data processing – in fact, you will be a complete 'all-rounder' who will contribute to this key position. Age is not so important as abounding energy, self-motivation and the determination to see the company succeed and become part of that success. Applicants should live within 35 miles of Heathrow. If this is you, send us a C.V. and tell us how you meet these requirements. An attractive package will be discussed with the successful applicant.

David Derby, Recruitment Manager,
Bates Tavner Resources,
63 Carter Lane, Ludgate Hill,
London EC4V 5DY.

Bates Tavner Resources International LTD

Commercial Director

c.£20,000 + car

John Beales PLC is a successful listed group with interests in textiles, commercial refrigeration and electrical engineering and we require a Commercial Director for one of our subsidiaries. We are committed to profitable expansion through both organic growth and acquisition – in the last twelve months we have acquired three new subsidiaries.

We require an enthusiastic and committed Commercial Director who will be responsible for the commercial and financial functions of the company, reporting directly to the subsidiary's Managing Director.

Applicants (aged 28/35) must have an accountancy qualification and several years post qualification experience at a senior level in industry. The successful applicant will be looking for a general management role in the longer term. In addition to a salary of c.£20,000 other benefits include a quality motor car, contributory pension scheme with life assurance and private healthcare scheme.

Please write – *in confidence* – with your full career history and current salary details to *The Managing Director, John Beales PLC., Boulevard Works, Radford Boulevard, Nottingham, NG7 3AE*

Assistant Manager Accounting

City

c£20,000 + Car + Banking Benefits

Our client is a fast-growing UK merchant and investment banking organisation providing a range of services to customers internationally with offices in London, Europe and North America.

The role involves managing a small team responsible for financial accounting, developing management reporting and control systems within a high profile and demanding environment.

Candidates should have the following attributes:–

- Qualified accountant preferably ACMA or ACCA
- Age indicator 25-28
- *Proven experience of management* accounting and analytical skills
- Experience within a service or marketing orientated company

The career prospects are good and the attractive remuneration package includes a bonus and usual banking benefits.

Please telephone or write enclosing a full resume quoting Ref 117 to:
Nigel Hopkins, FCA,
97 Jermyn Street,
London SW1Y 6JE.
Tel: 01-839 4572

Cartwright Hopkins
FINANCIAL SELECTION AND SEARCH

EXECUTIVE JOB SEARCH

Are you earning £20,000—£100,000 p.a. and seeking a new job?

Connaught's discreet and successful Executive Marketing Programme provides professional excellence in helping you to identify those unadvertised vacancies.

Contact us for a free and confidential meeting to assess if we can help you. If you are currently abroad ask for our Executive Expat Service.

32 Savile Row, London, W1 *Connaught* 01-734 3879 (24 hours)

The Executive Job Search Professionals

Accountancy Appointments

FINANCE EXECUTIVE

This progressive retail group is currently enjoying a period of unprecedented expansion. In order to sustain this success a young, ambitious Chartered Accountant is required to play a crucial role within the group management team. Responsible for reviewing operations, business analysis and acquisition investigation this key appointment will also undertake special projects for the board. Career prospects within the group are excellent. Ref: JG.

N. LONDON c.£22,000+Car

CORPORATE ROLE

A major UK distribution group seeks a young qualified accountant for a highly visible head office role. Responsibilities will include provision of a full financial management service for two sub-groups and assisting with corporate plans, budgets, projections, monitoring cash flow, and advising on new projects. Seen as an entry point for senior line managers, suitable candidates aged 26-32 will offer evidence of developed commercial awareness and overt management potential. Ref: CM.

N. HOME COUNTIES £20,000+Car+Bonus

RETAIL

This progressive and highly successful 'blue chip' retail group requires a graduate Chartered Accountant, 28-32, for a departmental manager's role. The Financial Accounting Manager, with overall responsibility for 30 staff, will control all accounting for the UK company including statutory and monthly accounting, taxation and maintenance and development of computer systems. This high profile role offers excellent prospects. Ref: GR.

N.W. LONDON c.£20,000+Car

Robert Half Personnel, Freeport, Roman House, Wood Street, London EC2B 2JQ. 01-638 5191.

ROBERT HALF

FINANCIAL RECRUITMENT SPECIALISTS

LONDON BIRMINGHAM WINDSOR MANCHESTER & OTHER CITIES WORLDWIDE

Up to £20,000 + Relocation Package
Oxfordshire/Berkshire Border

Our client is a major UK multinational manufacturing company with a substantial international presence. Its technological strength, commitment to R and D and commercial expertise has enabled the company to maintain market leadership in many sectors of its business. Vacancies exist for accountants in two key areas of the business, namely:

PROJECT ACCOUNTANT

A joint venture partnership has recently been established with a multinational in order to exploit newly developed products through manufacturing facilities to be established in the USA. Financial expertise is now required in the project management team with specific responsibilities including the production of monthly financial data, budgeting, the development and operation of computerised planning and cost models and co-ordination with all the UK and US functions and departments responsible for the success of the project.

REGIONAL ACCOUNTANT

This new position has arisen due to the increasing need to provide in the Head Office a direct business unit support role liaising with operating units, both in the UK and overseas. The job encompasses the receipt, analysis and consolidation of financial data and a significant proportion of ad-hoc assignments such as systems development, investment appraisal, planning and the provision of advice to operating companies. Opportunities for some UK and overseas travel will arise as the job develops.

Candidates will be qualified accountants, ideally aged 25/30, and should be technically sound, computer literate and competent to deal with many levels of staff in a number of disciplines in worldwide locations. Both these positions report directly on a functional basis to top Finance Managers within the Group Headquarters and as such the ability to work using the appointees' own initiative and to communicate effectively with all levels of management is vital. Each of these roles provide the opportunity for an energetic and ambitious accountant to progress rapidly within the organisation.

Please telephone or write enclosing a full resume quoting Ref. 118 to: Philip Cartwright, FCMA, 97 Jermyn Street, London SW1Y 6JE. Tel: 01-839 4572.

Cartwright Hopkins

FINANCIAL SELECTION AND SEARCH

Financial/Management Accountant

c £18,000 From Profession

This client is a prestigious British property group with wide ranging ownership, management and development interests in the UK, North America and Australia.

Within the UK operations there is a new vacancy which will provide a variety of experience arising from responsibility for the preparation of forecasts, budgets, management and statutory accounts; and providing assistance with the secretarial function, computerisation and systems improvement and taxation matters.

Applicants should be qualified accountants (chartered or certified) aged mid 20's. Previous commercial experience is not essential. Location – London West End.

Please apply in confidence quoting ref. L 266 to:

Brian H Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB
Tel: 01-240 7805

Mason & Nurse
Selection & Search

GENERAL APPOINTMENTS APPEAR EVERY WEDNESDAY

CAREER ACCOUNTANT

Who enjoys applying professional skills to the Banking situation

Recently, we have observed a tendency for Accountants to switch allegiance to a Corporate Finance role, away from the pure accountancy function. This advertisement, unashamedly and unreservedly, is aimed at those who enjoy management reporting and recognise its tremendous value. A European Bank of some distinction, with an impressive track record, is looking for a specialist to manage its Accounts department. The ideal candidate will be a fully qualified CA, but this is not cast in tablets of stone: substantial experience within a Bank, and good knowledge of all areas within the accountancy function, will be of equal interest. An ability (and willingness) to contribute ideas and implement innovative procedures is critical; in depth knowledge of securities trading is also important; but the personality fit within a close-knit, friendly and hard working team is paramount. You will be in your early thirties, hungry for more responsibility and looking for a management role within a Bank intent on building on its current success. The salary/benefits package will be substantial, recognising the important part which you will play in the overall profitability of the Bank.

To talk about this opportunity or to arrange an exploratory meeting in our City offices, please ring Malcolm Lawson on 01-493 5788 during the working day or 0444 73216 in the evening. Alternatively, send us your full career details.

LINK 13/14 Hanover Street, London W1R 9HG. Telephone 01-493 5788.

Link City Search & Selection Ltd.

AirPlus
Financial Controller

New Company
West London
c. £28,000 + Car

The AirPlus Company Limited is a new company with a new product, the AirPlus charge card for business travellers. After an intensive nine month study, 13 major European airlines have formed the company to launch the AirPlus card, which will provide corporate business expense services relating to air travel, car hire, hotel and restaurant charges.

Reporting to the Chief Financial Officer, the Financial Controller will be responsible for the financial and management accounts for this exciting new multicurrency business. First priorities will be to set up the core financial systems and controls, including those for a sophisticated FX and cash management operation; you will also need to recruit a team of staff, and establish the planning and budgeting process.

Probably a graduate chartered accountant in your late 20s/early 30s, you will have 5 years' commercial experience, preferably including a period spent in a multicurrency service industry. In addition, you will have good management skills, and the initiative and drive to take a leading role in this start up. Ambitious plans for the company's growth will ensure your own continued personal and professional development.

If you are interested, please apply immediately in confidence, giving concise career, personal and salary details to: **Sarah Orwin, Ref. ER899, Arthur Young Corporate Resourcing, Citadel House, 5-11 Fetter Lane, London EC4A 1DH.**

Arthur Young Corporate Resourcing
A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Civil Aviation Authority

To Head Airline Finances Section

Central London c£20K

The Civil Aviation Authority is an independent statutory body responsible for the safety and economic regulation of British Civil Aviation.

A vacancy exists for a suitably qualified professional to head the Airline Finances Section within the Economics Regulation Group. The successful candidate will be responsible to the Head of Finance for the work of a small team concerned with the financial aspects of airline licensing. This is a highly influential role, ranging from financial appraisal for licence granting to investigations and analysis for policy recommendations to Board Members.

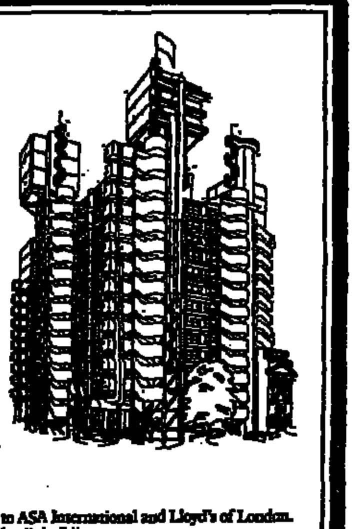
Applicants must have a sound grasp of financial information and its interpretation, and an understanding of the economic and operational framework within which the airlines work. A degree in economics or a similar discipline, or a professional accounting qualification would be a good academic basis. The ability to communicate effectively with companies at director level is essential.

Salary will depend upon qualifications and experience, but for the right candidate it will start at around £20K. Benefits include a cost of living index-linked contributory pension scheme, a generous annual leave allowance, and an interest-free ticket loan.

Please apply in writing enclosing current curriculum vitae to Miss L. Beevor, Personnel Department, Civil Aviation Authority, Room T1220, CAA House, 45-59 Kingsway, London WC2B 6TE.

CAA

LLOYD'S OF LONDON



CHARTERED ACCOUNTANTS
Salaries from £18,000-£24,000

+ excellent benefit package + car at more senior levels

A household name, but what do you really know about Lloyd's of London? The growth and development of Lloyd's since 1982 has been staggering and it has now become one of the most vigorous and commercially active organisations in the City. Due to Lloyd's continued expansion, ASA has been retained to recruit young Newly Qualified ACA's and Accountants with up to 5 years' post qualifying experience gained in either public practice or commerce. To discover how you could benefit from a career with the Lloyd's Corporation, we would like to invite you to attend:–

An Introduction to Lloyd's.
Lloyd's, Lime Street, London, EC3.
Monday 8th December 1986

6.30-6.45 – Introduction to ASA International and Lloyd's of London.
6.45-7.15 – Tour of the Lloyd's building.
7.15-7.45 – Slide presentation on career opportunities within Lloyd's.
7.45-8.30 – Question and Answer session.
Light refreshments will be available.

Numbers are strictly limited, so to reserve your place, please contact **David Frusher or Charles Cotton on 01-439 1771.**

Accounting Staff Appointments
6/8 Sackville St., London W1X 2BR

International Recruitment Consultants — ASA INTERNATIONAL — Glasgow Aberdeen Edinburgh London

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Management Accountant

Dynamic International Electrical Group
North London
to £20,000 + Car

Our client is a major sub-division of one of the most dynamic and successful, fully quoted engineering and electrical manufacturing groups, whose progressive and positive approach has resulted in them becoming a significant force in international markets.

An excellent career opportunity now exists for an Accountant to join their senior management team.

This key position demands a fully qualified Accountant, preferably aged 25 to 45 years, with sound management accounting and reporting experience, ideally gained in a fast-moving manufacturing environment.

Working closely with the General Manager in business planning and development, responsibilities will include all aspects of management accounting, controls implementation and systems development.

Commercial flair, drive and self-motivation will be essential qualities of the successful candidate.

A generous salary and benefits package will be provided, reflecting the importance of this appointment. Relocation assistance will be available where appropriate.

Please apply in complete confidence to the group's financial recruitment advisors, sending a full CV if writing, for the attention of **David Baden, Selected Accounts Personnel, Hanover House, 73/74 High Holborn, London WC1V 6LS. Tel: 01-242 0509.**

Selected Accounts Personnel

FINANCIAL CONTROLLER
£20,000 & CAR
Bucks—close to M40

A leading Research Association—a highly successful organisation with both government and private industry clients—requires a Financial Controller to head the financial and management accounting function, including project costing.

Your qualifications, experience, commercial awareness, communication and man-management skills will enable you to update management information systems/controls and related computerisation to achieve data and deadline objectives.

As an essential member of the top management team, reporting to the Association's Director, you should earn £20,000 per annum plus bonus, car and other good benefits.

Please write in strict confidence, enclosing a full CV to:

Bob Levine, RJL Management & Recruitment Consultants
2 Beulah Close, Edgware, Middlesex HA8 8SP
Phone: 01-958 7343

RJL

GROUP FINANCIAL CONTROLLER

London, New York, Tokyo c£30K + Car + Bonus

Our client, a rapidly expanding technology based service company catering to broker/dealers in international securities, seeks a Group Financial Controller.

The ideal candidate will be a high calibre graduate accountant with experience in international treasury management and taxation, budgeting, cost control, use of micro-computers and staff management.

Working in London, responsibilities will include managing subsidiaries' finances, strategic financial planning, banking relationships worldwide and treasury management.

This represents an excellent opportunity for an ambitious individual who has superb technical and interpersonal skills.

Interested candidates should phone Suzie Mumme, or write enclosing a C.V. to the address below. All applications will be treated in strictest confidence.

2 London Wall Buildings, London Wall, **BBM** ASSOCIATES London EC2M 5PP. Tel: 01-628 4200

CONSULTANTS IN RECRUITMENT

FINANCE DIRECTOR

London NW2 £25K neg

Foster Beard formed in 1974, is a leading importer and distributor of a complete range of domestic kitchen equipment. The growth of the company (t/o approx £10M) now merits the appointment of a Finance Director. The emphasis will be on management accounting and credit control rather than financial accounting.

The successful candidate will be a qualified accountant – probably chartered – experienced in wholesale trading and used to deadlines and strict controls. Computer literacy is essential and some multi-currency experience desirable. Above all, he or she will be a tough, determined, decisive and commercially-minded contributor. Age indicator: 30s.

Salary negotiable around £25K. Car. Remuneration package appropriate to appointment. Equity participation after qualifying period.

For further information and an application form please telephone Windsor (0753) 867175 (24 hrs) quoting Ref: AV/631.

3i Consultants Ltd
Human Resources Division

Accountancy Appointments

VAT CONSULTANTS

London — Attractive remuneration package

Ernst & Whinney is one of the most rapidly expanding accounting firms with a highly developed sense for the market opportunity. We are currently seeking high calibre individuals to deal with the exceptional new demands arising in VAT related work.

Our clients range from blue-chip multi-nationals to local businesses; their needs cover the entire VAT spectrum. The consultants must possess extensive practical knowledge of the VAT provisions in order to provide the service required.

Together with the necessary technical ability applicants must possess first class inter-personal skills and a practical approach to problem solving. Preference will be given to applicants presently specialising in VAT matters. Rewards for success are high — an attractive remuneration package including a car for senior appointments, together with excellent career prospects.

Please send a brief curriculum vitae to Barry Compton, Ernst & Whinney, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

Ernst & Whinney
Accountants, Advisors, Consultants.

FINANCIAL ACCOUNTING MANAGER
RETAIL

ACA 28-35, London — to £25,000 + car

Our client, a dynamic retail organisation with a reputation for innovation and decisiveness, has an immediate requirement for a professionally qualified financial manager.

The role requires the co-ordination and management of all financial accounting responsibilities within a highly computerised environment. Reporting to the General Manager, Finance, this position is part of a high profile management team of four.

In addition to being an achiever motivated by success, the candidate will have the proven man-management skills necessary to lead the department.

To meet these requirements this individual is likely to be a qualified accountant currently working within a large commercial organisation. If you have the ability to succeed in a challenging and demanding operation, prospects of promotion within this highly acquisitive group are outstanding.

Interested applicants should telephone James Hyde on 01-930 7850, quoting reference JAH/151, or write, enclosing brief details, to the address below:

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
66-68 Haymarket London SW1Y 4RF Telephone: 01-930 7850

Young Financial Controller

Good Board & USM Prospects

Worcs

£20-25,000 plus Car

Looking for the No 1 finance position in an entrepreneurial business with high USM potential?

With its enviable reputation for quality and workmanship this small successful carpet manufacturer has created its own specialist niche in the market. They are now planning to expand the business further and to seek a USM listing within the next 3-5 years.

To meet this challenge they now require a young and dynamic Financial Controller to take charge of the financial side of the business. Reporting to the Managing Director your responsibilities will include the production of management information, development of computer systems, treasury management and the provision of financial advice to the Board.

Candidates must be Qualified Accountants, aged around 30, with broad based manufacturing experience involving computer-based systems. They must have good commercial awareness and the ability to contribute to the company's prosperity as a key member of the management team.

A competitive remuneration package, including car, bonus and relocation assistance, is offered and for the right candidate, a board appointment with equity participation is a strong possibility for the future.

Please send concise details, including current salary and daytime telephone number, quoting reference D2017 to W S Gilliland, Executive Selection Division,

Grant Thornton
Management Consultants
Fairfax House, Fulwood Place, London WC1V 6DW.

Group Accountant
major international plc

London — late 20s/early 30s — £24-30,000 + car

A rapidly changing public group, our client has substantial worldwide interests. Recent restructuring and planned further growth will enable it to react to market requirements and consolidate its strong position.

This is a vital role in a new young central financial team. Supervising a small unit, you will be responsible to the Group Controller for the preparation of group management and statutory accounts and plans. You will assist with the implementation of a sophisticated new computer system and work closely with corporate treasury, tax and other financial specialists as well as senior managers in subsidiaries. Ad hocs such as assisting with acquisitions will be both challenging and stimulating.

Applicants should be graduate Chartered Accountants, technically strong with experience of consolidations and statutory and Stock Exchange requirements gained in either the profession or commerce.

Salary is negotiable according to age and experience and success in this role will create further opportunities at group or subsidiary level.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/533/DF.

Lloyd Management
125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

Newly qualified accountant

Career development opportunity in pension fund management

Central London

This is an exceptional opportunity for a newly qualified accountant to gain broadly based experience in the financial management of a major pension fund.

Joining our client in a period of sustained growth, you will have the opportunity to work within each of the major sections of the company, gaining in-depth knowledge of their business activities and building experience of accounting control and computing systems for a diversified and active portfolio of investments.

Experience with a firm specialising in the financial sector will be an advantage but not essential, but you should be keen to develop a career in pension fund management.

In addition to an attractive starting salary, an excellent range of benefits is offered, including generous assistance with home to office travel expenses.

Please write with full personal career and current salary details. These will be forwarded direct to our client. List separately any companies to whom your application should not be sent. Ann Herbert ref. AH/B/2.

MSL Advertising, 52 Grosvenor Gardens, London SW1W 0AW.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL Advertising

FINANCIAL ACCOUNTING MANAGER

City — c.£27,500 + car

The exceptional growth record of our client — a prestigious City firm — has led it to expand and restructure its financial control group.

This newly created role is that of a senior member of a small management team responsible for the main accounting functions of the firm and *the provision of advice and financial* information to top management. Succession planning has defined opportunity for career progression in the short term; planned expansion suggests further prospects in the future.

Candidates must be qualified accountants with a progressive career in large, multi-disciplined commercial/industrial/professional enterprises. Career history must demonstrate a capacity for providing timely services to users on both regular and non-recurring work and the ability to make a significant personal contribution. Key personal qualities are a mature and *responsible manner, an assured but not* dogmatic approach and the capacity to thrive in a high tempo, professionally demanding environment.

Please write in confidence, with full career details, quoting reference 2967/L to Michael Blanckenhagen, Executive Selection Division.

PEAT MARWICK
Peat, Marwick, Mitchell & Co.
165 Queen Victoria Street, Blackfriars, London EC4V 3PD

FINANCIAL SERVICE COMPANY
Qualified Chartered Accountant

A privately-owned financial service company located in the West End of London offers the opportunity to a qualified Chartered Accountant to manage the financial accounting, taxation and company secretarial affairs of a wide variety of client companies. Reporting to the Financial Director, the successful candidate will be between 30 and 35 years of age and with at least three years' post-qualification experience. He or she will form part of a small professional team but will need to be able to work on his or her own initiative. The successful candidate will have had a progressive career to date including experience of financial accounting for substantial companies together with a good working knowledge of corporation tax law and practice.

A competitive salary will be paid and in addition there will be a generous benefits package.

Applicants are asked to write with full curriculum vitae in strict confidence to:

Box A0346, Financial Times
10 Cannon Street, London EC4P 4BY

Financial Director Designate
£30,000

Our client is a highly successful, independent chain of ophthalmic opticians operating in London and the Home Counties.

The group is expanding and enjoying a period of sustained growth.

Reporting directly to the entrepreneurial Managing Director, the ideal candidate will be a high calibre, qualified accountant, already operating at board level, and preferably in his/her mid 30's.

An immediate requirement is the implementation of financial and management information controls and therefore detailed knowledge and experience of computerised accounting systems is essential. In addition prior involvement in a retail environment would be advantageous.

Please write with full personal and career details to:
A.K. Lester Esq.,
H. W. Fisher & Co.,
Chartered Accountants,
Acre House, 69/76 Long Acre, London WC2E 9JW

H.W.FISHER&CO.
Chartered Accountants

Systems Controller
A Young Chartered Accountant

London W1 — to £20,000 + car

Our clients are a £20m t/o p.l.c. projecting 20% p.a. compound growth both organically and through an active policy of acquisition within an expanding service sector in which they are emerging as market leaders. *This exciting environment can provide a varied range of career* opportunities for a young Chartered Accountant who wishes to avoid specialisation and a routine accounting role. The initial task, reporting to the Commercial Director, will be to *develop* and promote integrated control systems throughout the organisation. The job calls for a practical interpretation of management needs and the ability to communicate effectively at all levels. Ref. 1632/FT. Send c.v. (with telephone numbers) or write or phone for an application form to R. A. Phillips, ACIS, FCII, 2-5 Old Bond Street, London W1X 3TB. Tel: 01-493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

Group Chief Accountant

West End — Salary c£20k+car+benefits

Our client, a leading Group of Companies engaged in Property Investment & Development, Housebuilding and Allied Services has embarked on an expansion programme and has identified the need to strengthen their financial team by the appointment of a Group Chief Accountant.

Reporting to the Financial Director, you will be responsible for the financial control of the Group, preparing and monitoring its performance through monthly accounts and management information. Cash forecasting and treasury control is an important element of this post. The ability to work under pressure in this fast moving and demanding organisation is essential.

Candidates, likely to be between 30-40 years of age, will ideally be Chartered Accountants who can demonstrate a progressive track record gained both in the profession and in a dynamic commercial environment. Experience of computer systems and financial modelling would be an advantage.

If you meet these demanding criteria, you should send a detailed CV, including current salary, to Don Day FCA, quoting reference LM 28 at Spicer and Pegler Associates, Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Spicer and Pegler Associates
Management Services

FINANCIAL CONTROLLER
SOUTH YORKSHIRE

Mechanical Contractor requires Chartered Accountant. Should lead to Board appointment. Some International Travel.

£16-18,000 + Car

Apply to Rothman Pantall & Co
Clareville House
26/27 Oxendon Street, London SW1Y 4EP

Accountancy Appointments

Accountancy Appointments

GENERAL APPOINTMENTS APPEAR EVERY WEDNESDAY

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday November 27 1986

Swedish airline lifts profit by 49%

By Sara Webb in Stockholm

SCANDINAVIAN Airlines System (SAS) achieved record profits and turnover for the year ending on September 30 1986. Pre-tax profits for the group increased by 49 per cent to SKr 1.51bn ($220m) compared with SKr 1.01bn in the previous financial year.

Group turnover rose 9.1 per cent to SKr 21.58bn against SKr 19.79bn last year.

The airline business, which accounts for 73 per cent of group turnover, showed a pre-tax profit of SKr 1.19bn, up 48 per cent on last year's figure of SKr 807m.

However, Mr Jan Carlzon, SAS chief executive, pointed out that last year profits had been hit by a three-week public-sector strike in Scandinavia which effectively grounded aircraft.

Airline turnover totalled SKr 16.49bn compared with SKr 15.43 bn in the previous year.

The airline says it has increased its market share in Europe. It has 52 per cent of the flights between Scandinavia and other parts of Europe compared with 50.5 per cent in 1985. SAS claims 9.5 per cent of the total European flights compared with 8.5 per cent in 1985.

However, its intercontinental routes face tough price competition, especially on flights to North America and south-east Asia. SAS is negotiating with Sabena, the Belgian state airline, about possible co-operation on certain intercontinental routes.

Passenger bookings dropped in the months between April and July after the Chernobyl nuclear disaster and as fears of international terrorism mounted. However, bookings recovered in August and September.

Lower oil prices and a fall in the value of the US dollar meant lower costs for the airline.

Commerzbank set for record year

BY ANDREW FISHER IN FRANKFURT

COMMERZBANK, the smallest of West Germany's big three commercial banks, is set for another record year in 1986, with profits growth of up to 20 per cent.

The bank did not, as last year, give a figure for likely operating profits at its press conference this week. For the parent bank, these totalled over DM 1bn ($500m) in 1985, with DM 1.5bn for the group. But Mr Walter Seipp, chairman, described a recent estimate of near 20 per cent growth for the parent bank figure as "not unrealistic."

This is a considerably faster growth rate than the 8.4 per cent to DM 659m ($329m) which Commerzbank reported for the first 10 months in its so-called partial operating profits, comprising interest and commission earnings less staff and other costs. These exclude own-account securities and foreign exchange earnings, which also rose considerably.

Mr Seipp said the partial profit figure had grown less rapidly than the 20 per cent reported for the first half, because the interest rate margin (the difference between interest earned and paid) had eased, as had growth in commission earnings, while personnel costs had risen faster.

The bank said that all major parts of its business showed increases this year. In lending activities, it reported substantial growth in fixed-rate loans for smaller companies, consumer credits and building finance.

Mr Seipp indicated that a dividend increase was likely. The 1985 payout rose from DM 6 to DM 8 per share.

Commerzbank is the first of the big German banks to give its 10-months results and an assessment of prospects. Dresdner Bank also reports this week and Deutsche, the biggest, next week.

Mr Walter Seipp

The bank's balance sheet total at end-October was DM 87.7bn, a 3.5 per cent rise on end-1985.

Mr Seipp said that the increase in staff costs – the bank employed 1,400 more people at the end of October than in the year before – meant that greater efforts would be needed to achieve desired future profits.

Mr Seipp said Commerzbank looked to next year with confidence. Operating results in 1986 would benefit from its own-account record results, thus showing a greater rate of increase than the partial operating figure.

But the continuing international debt crisis and the large number of insolvencies within West Germany meant that the bank would have to make further provisions for possible loan losses.

HK Bank expands Canadian operation

By Bernard Simon in Toronto

HONGKONG & Shanghai Banking is to become one of the largest foreign-owned banks in Canada by acquiring almost all the assets and liabilities of the troubled Vancouver-based Bank of British Columbia.

Through its existing Canadian subsidiary, Hongkong Bank of Canada HSBC will pay an initial amount of C$63.5m ($46m) for BBC. The purchase price may be adjusted if BBC shareholders decide that an assessor should be appointed to scrutinise the transaction.

In an effort to maintain the confidence of BBC's customers, a special act of parliament will be passed to expedite the transaction prior to a meeting of shareholders to approve it.

BBC, with assets of C$2.9bn, is the sixth Canadian bank to disappear through merger or failure since the collapse of two Alberta banks in September 1985 triggered a run on deposits at small and medium-sized banks. Only eight domestically-owned institutions remain, compared to 14 a year ago.

Earlier this month, Britain's Lloyds Bank took over Continental Bank of Canada to form the country's biggest foreign-owned bank with assets of C$8.3bn.

BBC disclosed yesterday that its financial position had worsened in the past three months as a result of an increase in non-performing loans and bad debt provisions in the wake of the slump in the Western Canadian energy industry. The bank said that "it is essential to enter into a transaction if liquidation is to be avoided."

Hongkong & Shanghai has had a presence in Canada since 1981 through its wholly-owned subsidiary Hongkong Bank of Canada. HBC's assets have grown from C$481m at the end of 1983 to C$731m in mid-1986.

LTV reports $2bn loss in third quarter after special charge

BY CHARLES HODGSON IN NEW YORK

LTV, the second largest US steelmaker which has been operating under Chapter 11 bankruptcy protection since July, yesterday reported a phenomenal $2.07bn third quarter loss after taking a $2.1bn special charge.

The company, which also has extensive aerospace and energy interests, said that the charge, probably the largest in US corporate history, reflected costs involved in its pension plans and write-offs and writedowns of some of its assets.

The third quarter loss compared with an operating loss of $57.5m in the year ago period. Final net last time was 19.5m, after a $38m gain from early extinguishment of debt.

For the first nine months, the group's loss was $2.8bn ($30.65 a share) against a loss of $648m ($8.04 a share) in the same period of last year. Sales of $5.35bn compared with $6.13bn for the first nine months of 1985.

The company, which filed for protection from its creditors owing about $4bn in debt, said yesterday that $1.16bn of the special charge was accounted for by unfunded pension liabilities. Recent changes in laws governing US pensions required the company to show these liabilities now rather than after its emergence from Chapter 11 reorganisation.

The majority of the charge would not involve any cash outlay since it was reflecting obligations already occurred.

A further $440m related to write-offs of some of LTV's steelmaking facilities and its coal mining operations and the writedown of other assets.

Other major portions of the charge covered reductions in carrying value of drilling equipment at the company's energy division and losses of anticipated future contracts at its military vehicle unit.

The company had turned in an encouraging operating performance in the latest quarter, with profits of $49.1m on sales of $1.7bn compared with operating income of $22.5m on sales of $2.02bn in the third quarter last year.

Over a half of the profits, $26.6m, had come from the company's steel division, compared with an operating loss last time of $24.9m. Steel shipments were lower at 2.2m tons compared with 2.6m tons in the year-ago period.

The company's reorganisation plan was going well and its cash flow had improved. At the middle of this month LTV had $441m in short-term securities, compared with $176m on the date of the bankruptcy filing.

Acquisitions bolster Electrolux

BY OUR STOCKHOLM CORRESPONDENT

ELECTROLUX of Sweden, the world's largest domestic appliance maker, reported a 5 per cent increase in profits after financial items for the first nine months at SKr 1.81bn ($264m) against SKr 1.73bn in the corresponding period last year.

Group sales increased 30 per cent to SKr 36.99bn compared with SKr 28.40bn a year ago.

The improvement is chiefly due to the $745m acquisition of White Consolidated Industries in the US. White Consolidated Industries' figures were included in the results with effect from April 1.

The consolidation of figures from Zanussi, the Italian home appliances maker, with effect from September 1, has also contributed to the improvement.

Electrolux says that the integration of Zanussi and White Consolidated Industries involves heavy costs for the group because of interest on loans and investment in production equipment.

However, profits and sales for the full year are expected to exceed last year's levels. Sales in 1985 totalled SKr 39.68bn and profits after financial items were SKr 2.57bn.

Demand in the group's main markets – Western Europe and the US – showed a lower than expected increase despite lower inflation rates and interest rates.

"We expected consumer demand to show a stronger increase," said Mr Anders Scharp, chief executive.

Electrolux agreed recently to acquire Beaird-Poulon, the garden products division of Emerson Electric of the US.

Jacobs Suchard to buy US confectioner

By John Wicks in Zurich

JACOBS SUCHARD, the Swiss coffee and chocolate group, is to take over the Chicago company E.J. Brach, one of America's leading producers of chocolate and confectionery.

The purchase price has not been disclosed but the transaction, which is subject to US Government approval, is expected to go through before the end of the year.

Brach which is owned at present by the American Home Corporation Products has annual sales of about $500m almost entirely within the US.

This would substantially increase Jacobs Suchard group turnover, which last year amounted to SFr 5.4bn ($3.26bn). The Swiss group already markets the Tobler and Van Houten brands in the U.S., as well as products of its US manufacturing subsidiary Andes Candies.

Sandvik profits up 5.3%

BY OUR STOCKHOLM CORRESPONDENT

SANDVIK, the Swedish special steel and cutting tools group, announced nine-month pre-tax profits of SKr 1.32bn ($182m), up 5.3 per cent on last year.

Group sales for the first nine months rose 2 per cent to SKr 9.40bn compared with SKr 9.32bn in the corresponding period last year.

Sandvik expects full-year profits to be higher than last year's figure of SKr 1.60bn, with sales only slightly above the 1985 level of SKr 12.56bn.

Sales in the third quarter showed a normal seasonal decline but demand has weakened in several markets, including North America, and the oil producing countries.

Demand remains strong in West Germany, Brazil, Australia and Korea.

FMC studies action over Boesky deals

BY CHARLES HODGSON IN NEW YORK

FMC CORPORATION, the Chicago-based machinery and chemicals, has set up a special committee to examine what legal action should be taken following the Securities and Exchange Commission insider trading charges against Mr Ivan Boesky, the Wall Street arbitrageur.

According to documents released by the SEC, Mr Boesky, who paid a $100m penalty for his role in the biggest US insider trading scandal, made a profit of nearly $975,000 trading shares in FMC shortly before the company announced a major recapitalisation in February.

Mr Boesky bought 95,300 FMC shares between February 18 and February 21 and sold them all on February 21, the day the recapitalisation was announced, making an average illegal profit of $10.23 a share, according to the SEC.

The committee is to review the types of claims the company could file and FMC said it should be in a position to reach a decision by the middle of next month.

The move is the first step in what is expected to be a flood of litigation against Mr Boesky.

Dayton to sell off bookshops

By Our New York Staff

DAYTON HUDSON, one of the leading US stores groups, announced yesterday that it had agreed to sell for an undisclosed sum its B. Dalton bookshop chain to a company owned by Barnes & Noble, the third largest US bookstores group.

The buyer, Leonard Riggio and Vandamerica, has a substantial shareholding in Barnes & Noble.

Dayton Hudson said it expected the sale to result in a substantial gain. Mr Boake Sells, president, said the buyer intended to keep the Dalton name and its Minneapolis headquarters.

Dayton Hudson put Dalton, the second largest US bookstore chain, up for sale in early October, as part of a restructuring plan. Dalton, which operates 796 stores in 48 states, the District of Columbia and Puerto Rico, had sales of $538m in 1985.

Portuguese bank goes public

By Diana Smith in Lisbon

UBP, one of Portugal's smaller nationalised banks, has become a publicly limited company – though, in line with current legislation, all the shareholders are other public sector groups.

The state holds two-thirds of UBP's capital, now increased to Es 9bn ($58.5m) and the remainder is divided between Tabaqueira, the tobacco monopoly, Aliança, Bonança and Mundial Confiança, nationalised insurance companies, and the Automobile Guarantee Fund which covers insurance companies for motor accident liabilities.

Some senior financial officials see this as a discreet move towards privatisation once constitutional changes permit. Others insist that conversion of UBP (Uniao de Bancos Portugueses) and probably three more nationalised banks into publicly limited companies rather than dependencies of the Finance Ministry is not incipient privatisation, but simply a way to strengthen the banks' capital and make their management more independent within the public sector framework.

Since the abrupt Communist-inspired nationalisation of 1975, smaller Portuguese commercial banks have had many problems caused by timid management, bad debts, excess liquidity and the astronomical cost of time deposits. They have needed repeated injections of funds from the state and constant cosmetic work on their annual results to keep them ticking over.

Wagons-Lits expects higher earnings

BY TIM DICKSON IN BRUSSELS

WAGONS-LITS, the Belgian leisure and rail activities group yesterday reported an increase in turnover for the first nine months of 1986 and confirmed its previous profit forecast of BFr 800m ($19.1m) for the full year against BFR 650m in 1985.

The company gave a breakdown of sales for the nine months to September, illustrating the differing fortunes of each division. Sales in the railway sector amounted to BFr 8.2bn, the same as the corresponding period last year. Turnover in the hotels division rose 3 per cent to BFr 10bn – a "very slow" increase which the company attributes to the fall in North American business in Europe during the summer. By September and October, however, hotel occupancy returned "to a more normal level."

Both the catering and tourism activities advanced by 8 per cent to BFr 19.4bn and BFr 42.7bn respectively.

Wagons-Lits considers that the improvement in tourism was "satisfactory in a gloomy climate for travel agents, particularly due to the general lowering of the level of air fares which reduces the commission on sales."

Jacobs bid for Borg-Warner

By Our New York Staff

MR IRWIN JACOBS, the Minneapolis-based corporate raider, has launched an audacious conditional offer of up to $4.3bn for Borg-Warner, the automotive components, chemicals and services group.

Mr Jacobs recently wrote to the chairman of the Chicago-based group offering to enter into a negotiated purchase of Borg-Warner stock at between $43 and $48 a share. Mr Jacobs recently raised his stake in the company to 7.6 per cent. GAF Group, another corporate raider headed by Mr Samuel Heyman, has disclosed a 9.6 per cent stake.

Borg-Warner, the subject of persistent takeover rumours, earlier this month announced plans to sell its financial services unit

Du Pont plans write-off

BY DAVID OWEN IN NEW YORK

DU PONT, the largest US chemicals group, is to take a 31 cents-per-share, fourth-quarter charge in connection with the dismantling of its chlorine-based raw material production plant at Corpus Christi, Texas. The plant will continue to produce certain fluorocarbons.

The company, which lifted third-quarter net earnings by 25 per cent to $343m, or $1.42 a share, despite an oil-related 12 per cent decline in sales, began to purchase some chlorine-based raw materials earlier this year as a cheaper alternative to continuing to produce them.

AIBD BOND INDICES
WEEKLY EUROBOND GUIDE NOVEMBER 21 1986

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	8.631	−0.782	10.420	8.610
Australian Dollar	14.056	−0.043	14.630	12.830
Canadian Dollar	10.250	−1.024	11.704	10.249
Euroguilder	5.914	0.630	6.314	5.804
Euro Currency Unit	8.716	−0.480	9.524	8.164
Yen	6.297	−0.143	7.002	6.207
Sterling	11.576	0.295	11.932	9.751
Deutschemark	6.421	−0.327	7.090	6.318

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Asset sales start to pay for Togo

THE SEPTEMBER *coup* attempt in which 26 people were killed has apparently failed to shake confidence among foreign as well as local investors in the small West African state of Togo. In the past few weeks, deals to privatise three more public enterprises have been concluded, according to officials at the Ministry of State Enterprises.

The government has divested control of six companies over the past three weeks. These include a steel mini-mill and companies producing petroleum and dairy products, plastic pipes, farm machinery and marble. In doing so Togo has pioneered a path in Black Africa to privatise lossmaking public enterprises.

General Gnassingbe Eyadema, Togo's President, has been critical of the public sector. He said recently: 'I have a feeling that the state only invests to make losses. Disciplined management is completely lacking. The investment and recurrent budgets are continually called upon to cover the deficits."

Togo's privatisation programme in which 21 state enterprises are due to be sold off by the end of 1988 is a key element in a World Bank-financed structural adjustment programme aimed at restoring sustained economic growth.

The state will, however, continue to manage nearly 50 enterprises deemed to be strategic, provide a public service, or make a significant contribution to government revenues.

One company recently privatised is Industrie Togolaise des Plastiques (ITP), which makes plastic pipe. Production at the factory in Lome's industrial zone restarted two months ago under the management of Wavin of the Netherlands. This followed the purchase of a 58 per cent stake in the company by a Dutch-German-Danish group. The government which used to hold a 90 per cent stake, now has the remaining minority. The European group is also providing long-term loans and grants of $1.5m.

Two textile complexes were recently bought by the US-based Pan Africa Textile Corporation together with South Korea's Dukseung Trading company. *They outbid a Franco-Togolese* group in a $20m deal which will provide about 5,000 jobs.

The two facilities involved

Peter Blackburn, recently in Lome, finds keen foreign and local interest in a diversity of industrial and natural resource companies where the state is willing to shed control. President Eyadema (right) is setting a lead for Black Africa in privatising enterprises in order to bring in 'disciplined' managers and thereby stem losses.

are Industrie Togolaise des Textiles (ITT) at Dadja and Societe Togolaise des Textiles (Togotex) in Kara, President Eyadema's home town. The Togotex factory will be reorganised to export cotton knitted and woven garments to the US. The ITT factory will continue to produce African prints for the West African market.

The International Finance Corporation, the World Bank arm *promoting* private sector development, may also help to finance the project.

Compagnie Francaise pour le Developpement des Textiles (CFDT), which has widespread interests in the West African cotton industry, has meantime initialled an agreement to take a 51 per cent in Industrie des Oleagineux du Togo (Ioto), a cotton seed *oil company*. The remaining shares will be taken by private Togolese associates.

Domo-Kemi, supported by IFU, the Danish development agency, is expected to conclude an agreement to take full control of Societe des Detergents du Togo (Sodeto). An agreement is also expected shortly with either Belgian or Togolese promoters to take over Societe des Salines du Togo (Salinto), a salt producer.

Earlier deals involving steel, refinery and dairy companies were essentially easing agreements. The new deals, by contrast, involve the sale of assets and a greater commitment by promoters.

The first agreement, a 10-year lease on Societe Togolaise de Siderurgie (STS), the steel mini-mill, was concluded in late 1984 by Mr John Moore, a US entrepreneur, and appears to be prospering. STS reported a pre-tax profit of CFA 112m ($288,000) on turnover of CFA 1.5bn for 1985. STS also paid some CFA 319m to the government in taxes, duties and rent.

Turnover is expected to grow by nearly 50 per cent this year while construction projects such as the new West African central bank and the Ecowas Fund headquarters should help to provide continued growth next year.

STS this year raised its capital to $3m *from* $2.1m with one-third of the increase subscribed by private Togolese investors.

The funds are to be used mainly for the installation of a new line to roll used rails into reinforcing bars.

The steel mill, one of several state-owned white elephants had been shut down in 1983 after only *four* years' operation. Explaining how it has so quickly been turned round, Mr Stanley Cleveland, STS managing director, notes that energy costs have been cut by half, production has been improved by local improvisation, cheaper billet raw material supplies have been negotiated, and the workforce has been halved to 150. Used rails will reduce costs even further, he adds.

Although production is rising, the steel mill is still running at less than 20 per cent capacity.

Observers point out that STS benefits from a 41 per cent protective duty in the local market and duty-free raw material imports. The government has also underwritten the mill's capital and operational debts.

Despite the recent coup attempt, Mr Cleveland still regards Togo as much more stable than most of its neighbours. Mr Moore is looking at new investments including a state-run galvanised roofing company.

With its central location on the West African coast, good communications and regional trade links as well as cheap services, Togo can point to many attractions for investors. As one World Bank official remarks "the Government has shown *commitment* to *privatisation* and beneficial results are starting to show.

UK group to produce Komatsu trucks

By Nick Garnett

THE BRITISH-BASED Brown Group has signed an agreement to manufacture and supply Komatsu, the Japanese construction equipment maker with 300 articulated dump trucks a year. These will carry the Komatsu badge and be sold through the Japanese company's worldwide distribution network.

The deal which is likely to have major repercussions in the world's dump truck market is believed to be the first time that Komatsu, the number two construction equipment maker after Caterpillar of the US, has agreed to sell as its own product machinery of any type produced by a European manufacturer.

The trucks will be made at Brown's production site at Molde, near Trondheim, Norway, although a half of the fabrication work will be carried out at another Brown site at Birtley, County Durham, in north-east England.

Output is due to begin in May next year, with full production starting at the end of 1988. Brown will eventually make for Komatsu four models of between 20 and 35 tonnes. The Norwegian site already makes Brown's Moxy range of 12 to 35 tonne articulated dumpers which were market leaders in the UK last year ahead of Volvo BM, the world's biggest producer of articulated dumpers.

The overall deal is worth about £25m a year to Brown in sales to Komatsu during full production. Mr Gordon Brown, the managing director, says it will eventually make the Brown group the world's largest producer of dump trucks.

The arrangement gives Komatsu access to a type of equipment it does not have in a relatively growing market. Komatsu makes only rigid dumpers, but the world market has been swinging away from *these to articulated machinery.*

Worldwide demand for articulated and rigid dump trucks five years ago was for 5,900 units.

Pioneer Electronic back in profit

BY YOKO SHIBATA IN TOKYO

PIONEER ELECTRONIC, the leading Japanese manufacturer of audio equipment, swung back to group net profits of Y5.37bn ($33.05m) in the year to September, against the pre*vious year's net loss of Y2.45bn.*

Turnover increased by 1.7 per cent to Y347.01bn. Net earnings per share were Y39.05, compared with the previous year's net loss of Y17.88.

The consolidated business performance reflected parent company pre-tax profits of Y8.74bn, up 64.2 per cent, with net profits of Y3.51bn, up 64.1 per cent, on turnover of Y267.65bn, ahead by 2.8 per cent.

Sales of audio products—the mainstay of Pioneer's sales range, rose by 2.3 per cent *to* account for 36.3 per cent of the total, thanks to strong demand for small stereo sets and CD *players* in Japan and Europe, which more than offset a decline in exports to the US.

Video equipment sales advanced by 18.8 per cent to account for 22.8 per cent of the total, thanks to the LaserVision growth and demand for Laser Karaoke (singalong) sets.

Sales of car electronics fell by 16.6 per cent to account for 33.4 per cent of the total, due to sluggish exports of car stereo systems to the US.

Pioneer's *overseas sales fell* by 7.2 per cent to account for 55 per cent of the total. Domestic sales increased by 15.6 per cent.

The company expects unconsolidated full-year pre-tax profits to reach Y9bn, up 2 per cent, net profits Y4.5bn, up 28 per cent, and turnover of Y269bn, a rise of 0.5 per cent. Pioneer may raise its annual dividend from the present Y12, depending on the outcome.

Fujitsu suffers 90% fall in first-half group earnings

BY OUR TOKYO STAFF

FUJITSU, the Japanese computer and semiconductor maker, yesterday reported consolidated net profits of Y2.54bn ($15.63m) for half year to September, down 90.5 per cent from the Y26.85bn achieved in the previous first half.

This is the first time that group net profits have fallen below those of the parent alone, which amounted to Y4.09bn. Fujitsu attributed the fall to deficits suffered by two subsidiaries, Fujitsu General and Takamisawa Electric.

Net earnings per share slid to Y1.62 from Y18.72.

Sales in the communication sector rose at the group average of 3.5 per cent to account for 14.8 per cent of the total of Y838.57bn. Information processing sales showed a 4.7 per cent gain, but sales of electronics devices fell 1.6 per cent to account for 13.5 per cent.

Overseas sales dropped by 13.1 per cent in aggregate to account for 21.4 per cent of the total.

For the full year, net profits are forecast to fall 49 per cent to Y80bn, on a 10.5 per cent sales increase to Y1,870bn.

Saan returns to the black

By Jim Jones in Johannesburg

SOUTH AFRICAN Associated Newspapers (Saan), the English-language press group, returned to profits in the six months to September.

The company's year-end was changed to March 31 this year and, as a result, interim profit figures are not strictly comparable. Nevertheless, turnover rose to Rs 68.8m ($44.5m) in the six months to September from Rs 64.5m *for the same six* months *of* 1985, and pre-tax profits were Rs 3.6m against a pre-tax loss of Rs 4.4m.

Turnover totalled Rs 157.1m in the 15 months to March, and the pre-tax loss was Rs 18.5m.

Company Notices

NOTICE OF REDEMPTION

NOVA AN ALBERTA CORPORATION

U.S.$100,000,000

16¼% Debentures due January 7th, 1989

NOTICE IS HEREBY GIVEN THAT Nova, An Alberta Corporation will redeem on January 7th, 1987 all the 16¼% Debentures due 1989 at a price of 101% of the principal amount together with interest on such principal amount accrued and unpaid to the said date of redemption.

The redemption price on the said Debentures shall be payable on presentation and surrender thereof with all unmatured coupons at any one of the following Paying Agencies:—

Bank of Montreal,
9 Queen Victoria Street, London EC4N 4XN, England.

Bank of Montreal Trust Company,
2 Wall Street, New York, N.Y. 10005, U.S.A.

The Bank of Nova Scotia,
44 King Street West, Toronto, Ontario, M5H 1H1, Canada.

Union Bank of Switzerland S.A.,
35-39 Grand rue, Luxembourg.

Morgan Guaranty Trust Co of New York,
35 Avenue des Arts, 1040 Brussels, Belgium.

DEBENTURES SHOULD BE SURRENDERED with all coupons appertaining thereto maturing after the date fixed for redemption, failing which the face value of any missing unmatured coupon will be deducted from the sum due for payment. Any amount so deducted will be paid against surrender of the missing coupon within a period of 5 years from January 7th, 1987. From and after the date fixed for redemption, interest on the Debentures will cease to accrue.

Dated: November 27th, 1986.

NOVA, AN ALBERTA CORPORATION
CALGARY, ALBERTA.

ROLINCO

Rolinco N.V. announce a cash dividend of Fls. 1.16 per Ordinary Share of Fls. 10 (Fls. 0.116 per Sub-Share) for the year ended 1986. [illegible]

BEARER SHARE WARRANTS WITH COUPONS ATTACHED

[illegible]

SUB-SHARE CERTIFICATES REGISTERED IN THE NAME OF NATIONAL PROVINCIAL BANK (NOMINEES) LIMITED

[illegible]

CONVERSION OF DUTCH CURRENCY

[illegible]

SHAREHOLDERS IN THE REPUBLIC OF IRELAND

[illegible]

REFINERIA DE PETROLEOS DEL NORTE S.A.

Petronor 7¾% Bonds 1973/1988 US$15,000,000

On November 13, 1986 Bonds for the amount of US$2,000,000 have been drawn in the presence of a Notary Public. [illegible]

Luxembourg, November 27, 1986.

FINIMTRUST S.A.

Legal Notice

IN THE MATTER OF DENEWOOD CONSTRUCTION LIMITED

By Order of the High Court No. 004123 of 1986 dated the [illegible] day of October 1986 John Michael Thompson of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ has been appointed Liquidator of the above-named Company with a Committee of Inspection.

Dated this nineteenth day of November 1986.

Art Galleries

RICHARD GREEN, 4, New Bond Street, W1. [illegible] CENTURY FRENCH PAINTINGS. Mon.-Fri. 10-6. Sat. 10-12.30.

LEGER, 13, Old Bond St. ANNUAL WATERCOLOUR EXHIBITION. Mon.-Fri. 9.30-5.30. [illegible]

LEFEVRE GALLERY, 30, Bruton St., W1. [illegible] IMPORTANT XIX & XX CENTURY FRENCH AND BRITISH PAINTINGS AND DRAWINGS. 26th NOVEMBER-19th DECEMBER. Mon.-Fri. 10-5. Sat. 10-1.

OMELL GALLERIES, [illegible] Duke Street, [illegible] 7744. MARINE PAINTING BY BARRY [illegible] Mon.-Fri. 9.30-5.30, Sat. 10-1.

WILLIAM DRUMMOND'S [illegible] Waterloo Place [illegible]

ZAMANA GALLERY, 1 Cromwell Gardens, SW7. [illegible] ISTANBUL — A Photographic Journey through Turkish Architecture. Until [illegible] Tues.-Sat. 10-5.30, Sun. 12-5.30.

NOTICE TO HOLDERS OF LTV INTERNATIONAL, N.V. (the "Company")
10¼% CONVERTIBLE REGISTERED NOTES DUE 1995 AND 10¼% CONVERTIBLE BEARER NOTES DUE 1996 (the "Notes")

National Bank of Georgia (the "Trustee") is Trustee under the [illegible]

NATIONAL BANK OF GEORGIA
Indenture Trustee

I.G. INDEX
FT for December
1,266-1,293 (+15)
Tel: 01-828 5699

BERGEN BANK INTERNATIONAL S.A.

US$10,000,000 FLOATING RATE SUBORDINATED LOAN NOTES 1989

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the six months interest period from 19/11/86 to 19/5/87 the Notes will carry an interest rate of 6.3125% per annum, and the Coupon amount per US$500,000 will be US$15,866[illegible].

SCANDINAVIAN BANK GROUP PLC
Fiscal Agent

EVERARDS BREWERY LIMITED

NOTICE IS HEREBY GIVEN that the transfer books and register of the 5% Cumulative Preference shares of the above named company will be closed on 19 December 1986, to facilitate the preparation of the payment of the half-yearly dividend on 31 December, 1986.

By Order of the Board
P. L. WILFORD, Company Secretary

OECD REVIEW OF WORLD CAPITAL FLOWS

Favourable refinancing terms fuel borrowing

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

AS RECENTLY as two or three years ago it was commonly assumed that the volume of business in international capital markets was dictated by macro-economic considerations such as economic growth rates and payments imbalances. According to the Organisation for Economic Co-operation and Development that assumption is about to be proved wrong again.

Once more business on international capital markets is set to breach new records in 1986, the OECD says in its latest review of Financial Market Trends. During the first nine months new borrowings were running at an annual rate of \$350bn, a 28 per cent increase on 1985.

As part of the structural change that has overtaken the marketplace in the past two to three years, capital markets business seems to have taken on a self-fuelling dynamism of its very own, the OECD argues. Balance of payments considerations are no longer the main force behind growth in the capital markets—otherwise business would be tailing off because, thanks to a combination of both lower interest rates and lower oil prices, many of the largest borrowing countries are now in a much healthier position.

Instead, the main forces for growth in business are both more abstract and more intimately concerned with the development of the market itself. Nowadays borrowers are placing much more emphasis on refinancing their debts on the favourable terms currently available. At the same time, they have become more concerned with diversifying borrowing outlets. As a result one key to the health or otherwise of the international capital market is its ability to compete with domestic markets, because barriers between the two have been broken down.

The overall picture painted by the OECD is one that is by now highly familiar. While bond market business has soared—new international issues were running at an annual rate of \$230bn during the first nine months, up 33 per cent on last year — syndicated lending has slumped and there has been a marked increase in Eurocommercial paper. (The commercial paper market is not covered by its regular statistics, and figures for it are not included in the table.)

BORROWING IN INTERNATIONAL MARKETS

	1983	1984	1985	1986*
External bonds	77.1	111.5	167.7	232.2
(of which floating rate)	(19.5)	(38.2)	(58.4)	(54.8)
Bank credits	67.2	57.0	42.0	40.1
Other loan facilities	9.5	28.8	46.8	26.0
Total	153.8	197.3	256.5	298.3

* First nine months at annual rate. Figures in \$bn. Source: OECD

Growth in the international bond markets has been particularly impressive this year as regards fixed-rate issues, which are running at a rate 60 per cent above that of 1985. This year has again been marked by a high level of early prepayments which doubled to an annual rate of \$38bn in the first nine months, but all in all net bond offerings (excluding early and regularly scheduled redemptions) have been running at \$170bn, some \$40bn more than in 1985.

The OECD says there are no indications of a major turnround in the pace of issuing activity in the Eurobond market, although individual sectors may be affected from time to time by changing interest rate expectations. For the market as a whole, it says, present interest rate conditions and intense competition among issuing houses continue to provide a major incentive to further borrowing.

Nonetheless, the OECD's forecast carries several qualifications, particularly when prospects are examined from the point of view of investor demand.

Placement of bonds with final investors has at times been particularly difficult, resulting in an overhang of unsold paper, it says. There is a possibility that investors will switch increasingly to money market instruments if the yield available on bonds remains too tight.

A related question is the extent to which banks can be expected to continue to build up their securities portfolio at the pace experienced in recent years, though for the time being the low demand for credit from high quality borrowers leaves them with little alternative.

One by-product of the structural change in the international capital markets has been an increase in what the OECD calls circular flows — a situation that occurs when borrowers in one country launch securities offerings in the international capital markets that are bought by investors from the same country. Such flows are not new to the Euromarkets, but they have mostly been confined to short-term business. Now for the first time large-scale circular flows are being created in the longer end of the market as well.

Examples of this are international bond offerings by Japanese corporations targeted for sale to Japanese investors and the flurry of Eurosterling issues by British companies earlier in the year

Such circular flows underline the way in which international markets are now competing with their domestic counterparts. Coming together with the development of new market opportunities in terms of both maturities and the range of currencies available for borrowing, this arbitrage has helped sustain the volume of activity.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 26

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Amer. Ex. OS Cr. 0 91 AS	100	57½	58	0	+1	13.32
AB Electrolux 14½ 90 AS	50	100¼	100¾	0	0	13.97
Bremer Ldsbk. 12¾ 91 AS	50	98½	99½	0	+0½	13.00
[illegible]						

US DOLLAR STRAIGHTS; FLOATING RATE NOTES; DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; CONVERTIBLE BONDS: [illegible]

Japan may take softer line on fund managers

By Ian Rodger in Tokyo

REPUTABLE foreign-owned investment advisory firms in Japan appear to have little reason to fear falling foul of a new law regulating their activities.

Japan's Ministry of Finance, which will administer the law, appears to be taking a flexible approach, in the initial stage at least.

The law, which came into effect on Tuesday of this week, has caused considerable anxiety among advisory firms, many of them British, because it outlaws discretionary fund management without a licence. However, the MoF will not be ready to issue licences until next May.

Until now, there has been a "grey" area between trust banks which are authorised to manage funds, and advisory firms which are supposed only to give advice. However, it is widely recognised that advisory firms often make investment decisions on behalf of their clients.

Under the new law, some fear they could be in trouble even by placing transaction orders with a broker, at least until they get their licences.

However, the MoF is unlikely to take such a rigid view. Its main concern in developing the new law has been to put a stop to unqualified and fraudulent investment advisory companies which have emerged in Japan in recent years and caused considerable damage to many investors.

The MoF accepts that reputable advisers have engaged in buying and selling shares on behalf of, and on instructions from, their clients in the past and there is no reason why they should now depart from past practices.

There is also a recognition that investment decisions sometimes have to be made quickly. But advisers are expected to respect the basic definition of their role, which means that, fundamentally, investment judgments are made by clients.

The MoF is also aware of the concern of foreign advisory firms about possible discrimination in the criteria under which licences will be granted. These criteria have not yet been fixed, and the MoF intends to consult with advisers in the next two months before it establishes them.

However, in the case of branches of foreign groups, the ministry will take into account the resources of the parent company. It is also unlikely to set the minimum personnel and capital requirements for the Tokyo branch at an unnecessarily high level.

The ministry recognises that the important qualification in this business is knowledge, and so there would be no point, for example, in obliging each firm to have a staff of 30 or 40.

Manufacturers Hanover wins Renfe mandate

By Our Euromarkets Correspondent

MANUFACTURERS Hanover emerged yesterday as the winner of a fierce bidding contest to arrange a \$315m loan facility in the Euromarkets for Renfe, the Spanish state railway company.

The facility will be used to back up issues of Eurocommercial paper for a similar amount and is thought to carry extremely fine terms. These will only be revealed later, however, once the lead manager has had time to prepare its syndication strategy.

Renfe has been discussing the facility with its bankers for several weeks. Expectations that it would win favourable pricing rose after another Spanish borrower, ICO, the state financing concern, obtained a credit carrying a margin of 15 basis points over the London interbank bid rate for Eurodollar deposits. This is lower than the Libor reference rate normally applied to syndicated loans.

Some bankers have been expecting the Renfe deal to break through the four basis point facility fee barrier on loan facilities, but Manufacturers Hanover declined to comment on the terms yesterday.

Clore in Kaiser Aluminum plan

By Our New York Staff

KAISER ALUMINUM & CHEMICAL, the third biggest US aluminium producer, and Mr Alan Clore, the British investor, plan to form a new holding company with Mr Clore as chairman.

Mr Clore and members of his group at present effectively control just over 30 per cent of common stock

Under the plan—subject to final board and shareholder approval—all outstanding Kaiser Aluminum capital stock would be exchanged for the same number of shares in the new holding company.

\$300m floater for Rhone-Poulenc

BY HAIG SIMONIAN

RHONE-POULENC, the French state-owned chemicals group, broke new ground in the Eurobond market yesterday with the first US dollar-denominated perpetual floating rate note (FRN) for a corporate borrower.

Led by Societe Generale, the \$300m par priced issue pays ⅜ per cent over six-month London interbank offered rate (Libor) for the first three years. The coupon then increases by ⅛ per cent every three years, with a ceiling of Libor plus 1 per cent.

Rhone-Poulenc, which is one of the 65 companies on the French Government's privatisation list, is raising the cash as part of a package to finance its imminent acquisition of Union Carbide's agricultural activities. That deal is the third largest French takeover in the US this year, costing a maximum \$575m, and is due to be closed on December 17.

Rhone-Poulenc has said it will not be allowed to raise fresh equity capital this year. Earlier this month, Societe Generale also arranged a \$275m seven-year credit for Rhone-Poulenc.

Though the coupon and the step-up feature are seen as generous, dealers were a little puzzled by the underlying thinking behind yesterday's FRN, as Rhone-Poulenc can call the issue from 1989. Even the lead manager suggested this was on the cards: the floater is likely to be switched into some form of equity once privatisation plans are made clear. Meanwhile, Rhone-Poulenc hopes to be able to raise new equity capital next year.

Societe Generale claimed the issue had received a good response in the primary market, with three times more acceptances than rejections. The FRN was trading at a rather wide spread of 99⅛-99⅜ by late afternoon, with some bonds being traded into the bid.

Handicapped by the lack of comparable paper, dealers felt they needed more time to get to know the borrower and digest the implications of privatisation. The Japanese response would also be important; the generous spread would be a bait, but some dealers expressed doubts about the new issue's liquidity.

Perpetuals in the secondary floating rate market were still suffering from the ripples of Tuesday's \$200m issue for Standard Chartered, which was changing hands at 99.25 bid yesterday. The recent Midland Bank perpetual was quoted at 99.32-99.44. Meanwhile, straight dollar Eurobonds in the secondary market were quietly mixed, with dealers squaring their books ahead of today's Thanksgiving Day holiday in the US.

IBJ International led a \$200m 7½ per cent 1992 bond for IBJ Finance, guaranteed by the Industrial Bank of Japan. Priced at 101⅜, the issue was launched at a spread of 72 basis points over five year US Treasury Bonds. The deal was quoted within its fees by midday yesterday.

Yodogawa Steel Works, one of Japan's major producers of finished steel, launched a \$70m 1991 equity warrant bond, guaranteed by Fuji Bank. Led by Yamaichi International (Europe), the par priced bond has an indicated coupon of 3⅞ per cent.

The coupon on the \$40m equity warrant bond for Kanto Natural Gas Development was set at 3⅞ per cent. The warrant exercise price is Y878, representing a 2.57 per cent premium, and the foreign exchange rate was fixed at Y163.55.

INTERNATIONAL BONDS

In a busy new issue day on the Continent, Nederlandsche Middenstands Bank (NMB) launched a DM 150m 2½ per cent 1993 equity warrant bond, priced at par. Led by BHF-Bank, this is the first equity linked D-Mark issue for a Dutch Bank. Each DM 1,000 bond has two bearer warrants exercisable into a total of five NMB shares at an exercise price of Fl 200. NMB shares closed yesterday in Amsterdam at Fl 209. The new issue was bid at 99¾.

The secondary market in Germany was very quiet, with prices a shade weaker.

In Swiss francs, Shiseido, a leading Japanese cosmetics manufacturer, launched a two-tranche equity warrant bond. The first tranche, for SFr 100m, is a 1993 public issue with a 2⅛ per cent indicated coupon. The second tranche is a SFr 100m private placement, with a 2⅛ per cent indicated coupon, maturing in 1993. Credit Suisse led both deals.

Banca del Gottardo led a SFr 120m 1992 convertible bond for Meidensha Electric Manufacturing. The indicated coupon is 1⅞ per cent, and the indicated issue price par.

Dai-Ichi Seiyaku, a leading Japanese pharmaceutical company, issued a SFr 100m 1992 convertible bond, led by Credit Suisse. The indicated coupon is 1⅞ per cent.

Banque Algerienne du Developpement issued a SFr 60m par-priced 10-year floating rate note, paying ½ per cent over six-month Libor. There is a 3 per cent minimum coupon and SBC was the lead manager.

In a private placement, Banca della Svizzera Italiana led a SFr 50 straight bond for Nankai Electric Railway, guaranteed by Sanwa Bank. The 4¾ per cent 1991 paper is priced at 100⅜.

In another private placement, Handelsbank led a SFr 50m 1992 convertible issue for Osaka Fishmarket, with a 1⅞ per cent indicated coupon.

The Swiss franc secondary market closed mixed in average volume.

Swiss question equity warrants

BY JOHN WICKS IN ZURICH

LEADING SWISS industrial companies have expressed their concern at the precipitate growth of covered equity warrants, recently introduced to the Swiss markets.

The Association of Swiss Industrial Holding Companies has contacted the Swiss Bankers' Association with the declared aim of enforcing "orderly development" in this field.

The move follows a joint statement by Ciba-Geigy, Nestle, Sandoz and Sulzer Brothers, four of the companies whose registered shares have this month been the object of covered warrant placements.

The companies, claiming to speak "in the interest of purchasers of these warrants but also of our own shareholders," point out that the warrants were placed solely on the initiative of the issuing banks.

Banks leading the warrant issues have in each case approached holders of existing registered shares, which are held on a frozen account until the warrants are converted. The companies themselves played no part in the development of the warrants.

The banks behind the covered warrants had the stated intention of "indirectly opening up the limited market for registered shares to persons who could not be entered into the share register of the companies concerned." The warrants, the communique adds, can be freely bought and sold by such unentitled holders.

This is a reference particularly to non-Swiss warrant holders. Many big Swiss companies have part of their equity in the form of registered shares, for which registration and thus voting rights are not granted to foreigners.

● In the latest such transaction, Swiss Bank Corporation "in agreement with the company" has placed 40,000 warrants linked to the registered shares of The General of Berne insurance company.

Every 10 of the warrants, which are priced at SFr 90 each, entitle holders to the purchase of one registered share of the General of Berne at a unit price of SFr 6,200 between December 15 1986 and February 15 1990.

SBC has also announced Switzerland'sc first warrant bond issue in which the warrants entitle holders to buy further bonds. Hitherto, Swiss warrants have been linked to equity purchases.

Tender offer for Hiram Walker notes

By Our Zurich Correspondent

CREDIT SUISSE has announced a tender offer to holders of two Swiss franc note issues of Hiram Walker, the Canadian group, for which it acted as lead bank in 1982.

The offer is a result of the financial restructuring of Hiram Walker following its takeover by Gulf Canada. At the time of the issue, the notes were guaranteed by Walker-Home Oil, a company active primarily in the spirits business.

Following the acquisition, the notes will be guaranteed by HWR Holdings, whose two principal interests are Interprovincial Pipe Line and Consumers Gas. This will be backed by a secondary guarantee by Gulf Canada.

INTL. COMPANIES AND FINANCE

US LINES TRIES TO GET BACK ON COURSE

Fate of 12 ships hang in balance

BY WILLIAM HALL IN NEW YORK

THE FATE of US Lines' 12 very large container ships hangs in the balance as the company's bankers and creditors digest the news that probably the best-known American-flag shipping line and McLean Industries, its parent, have filed for protection under Chapter 11 of the US Bankruptcy Code.

Sources close to several of US Lines' bankers and institutional creditors, owed close to $1.2bn, indicated that they would not attempt to seize the new container ships. But it was far from clear how trade creditors would respond to US Lines' plea for co-operation. It was heavy losses on the ships that precipitated the bankruptcy filing.

Mr Charles Hiltzheimer, who replaced Mr Malcolm McLean, the company's 73-year-old founder as Chief Executive, confirmed that the Korean-built container ships – each of which is capable of carrying 2,241 40 ft containers – would be laid up "until we can evaluate another plan for their deployment."

Mr McLean has thrown the industry into turmoil with his massive $1bn expansion of US Lines' fleet. Rival shipping companies are nervously waiting to see whether his 12 very large ships will be laid up permanently or sold at bargain prices by the group's major creditors.

Mr Paul Slater, chief executive of First International Capital Corporation, which specialises in shipping and aviation finance, estimated that the new US Lines' ships were probably worth about $20m apiece compared with their purchase price of $50m. He said that the industry remained "hopelessly overtonnaged" and thought it unlikely that the US Line ships would be taken out of the market for long.

Mr Hiltzheimer said that the plan was to shrink US Lines down to "about half" its previous size. The company has already laid off 1,200 employees, or close to half its workforce, and intends to concentrate on its weekly transpacific service operating between the US West Coast, Hawaii/Guam and the Far East and its South American services from the US East Coast and Gulf ports. These services generate a positive operating cash flow.

"We want to settle down to that on a quick and immediate basis," said Mr Hiltzheimer. He added that he would then like to build US Lines into "something more ambitious." However, he would not speculate on when and if the Korean built container ships would be redeployed by US Lines, and it is far from clear how much control US Lines has over its destiny

He said that he had been asked to "try and stabilise the situation and hopefully save and rejuvenate" US Lines. "We urgently need continued customer support in this period and the patience and support from some of our creditors who are understandably upset," Mr Hiltzheimer said.

Some analysts have argued that US Lines' problems were exacerbated by the company's huge investment in large but slower ships

American Brands in Chesebrough offer

BY CHARLES HODGSON IN NEW YORK

AMERICAN BRANDS, the third largest US tobacco company, has launched a $2.8bn takeover bid for Chesebrough Ponds, the US cosmetics, food, chemicals and health care group.

The $66 per share cash offer by American Brands, which owns Gallaher, the UK tobacco company, is substantially above Chesebrough's current market valuation. The Connecticut-based company's shares closed at $49¾ up $4¼ before the announcement but after a day of takeover speculation.

Both American Brands, which markets such staples of the US image as Lucky Strike cigarettes and Jim Beam bourbon and Chesebrough Ponds have been mentioned as possible targets in the recent of wave corporate mergers and takeovers.

Chesebrough, which had sales of $2.7bn last year, confirmed that it had received the unsolicited bid from American Brands and said its legal and financial advisers would consider it "as well as other alternatives to maximise shareholder value."

Chesebrough has enjoyed healthy profits recently. It has also restructured to concentrate on its core sectors – foods, toiletries and cosmetics, agricultural chemicals and household products.

Varity to buy Ohio car parts group

BY BERNARD SIMON IN TORONTO

VARITY CORPORATION, the Canadian farm equipment and industrial machinery supplier formerly known as Massey-Ferguson, has taken a key step in its diversification strategy by announcing plans to buy Dayton Walther of Ohio, an international automotive components and building hardware manufacturer.

The US$142.8m cash purchase will be financed with long-term debt. Varity will use accumulated tax loss credits, of which $800m apply to North America, to shelter future earnings of Dayton.

Varity's precarious financial position has until recently ruled out any thought of a substantial acquisition. The unremitting decline in the North American farm equipment market and the company's heavy debt load have forced a series of financial restructurings and a drastic curtailment of worldwide operations.

However, a recapitalisation completed earlier this year removed the troubled combine harvester division from the company's direct control, boosted shareholders equity and almost halved outstanding debt. Varity earned US$15m in the six months to July 31 from sales of $709.8m.

Lloyds Eurofinance N.V.
(Incorporated in the Netherlands with limited liability)

£200,000,000

Guaranteed Floating Rate Notes due 1996

Guaranteed on a subordinated basis as to payment of principal and interest by

LLOYDS BANK Plc
(Incorporated in England with limited liability)

Notice is hereby given that the Rate of Interest has been fixed at 11½% and that the interest payable on the relevant Interest Payment Date, February 26, 1987 against Coupon No. 10 in respect of £5,000 nominal of the Notes will be £144.93 and in respect of £25,000 nominal of the Notes will be £724.66.

Lloyds Bank

November 27, 1986, London
By: Citibank, N.A. (CSSI Dept), Agent Bank CITIBANK

UK COMPANY NEWS

THE McCORQUODALE CASE

Panel decisions can be reviewed by courts—QC

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

DECISIONS OF the City Takeover Panel can be reviewed by the courts because it is a public law body whose powers derive ultimately from the Government, the Court of Appeal was told yesterday.

Mr Jeremy Lever, QC, said devolution" by the Government to the panel of a power to regulate transactions covered by the City take-over code.

That devolution had taken place specifically through the actions of the Bank of England, a statutory body which, if not "the onlie begetter" of the code, was at least an important progenitor of it, and also nominated the chairman and deputy chairman of the panel.

The Bank, which had a responsibility to watch over the financial system as a whole, acted in collaboration with and, it might reasonably be inferred, the blessing of the Department of Trade and Industry.

"Given the position of the Bank of England it is impossible to say that the system established by the code and operated by the panel has nothing to do with the Government," Mr Lever said.

The Government's role was pointed up by the 1977 recommendation of the European Commission that governments should make sure that there were regulatory systems such as that provided by the code.

Mr Lever was appearing for Prudential-Bache, the US securities house, which is appealing against the refusal of the High Court to give it leave to seek judicial review of a ruling made by the panel in the battle over the £155m takeover bid by printer Norton Opax for McCorquodale, another printing group.

Pru-Bache is advising Datafin, a company formed by an element in McCorquodale that favours a management buy-out.

The High Court application failed because the judge held that the panel was not a public law body created by statute and its decisions could not therefore be challenged by way of judicial review.

The appeal is being opposed by Norton Opax, its merchant banker, Samuel Montagu & Co, and by the panel.

The case has wide implications for the future of self-regulating in the City, because the appeal court is examining the legal status of the panel and the extent to which it can be controlled by the courts.

Pru-Bache seeks judicial review of the panel's decision on Monday to reject Pru-Bache's claim that the panel's rules had been broken by a supporter of the Norton bid.

Mr Lever said he suspected that the panel would say that it was not susceptible in any way to review by the courts. That would have the very undesirable consequence that a huge area of commercial activity was regulated—but by a system of "no law."

That was the phrase that had been used by the Russian dissident Alexander Solzhenitsyn to describe a situation where there was a corpus of rules administered with many of the characteristics of legal rulings but without the redeeming features of the legal system.

Mr Lever said the ultimate measure for securing compliance with the code was non-listing or de-listing, which involved the exercise of a public law power under the 1984 Stock Exchange Listing Regulations.

The panel, he said, was performing public functions of a kind that the courts should now bring within their supervisory machinery.

It was constantly said that the panel's rules were not legal rules; but the judicial review process could not be excluded simply by using that kind of magic talisman to ward off judicial supervision.

Such an attempt to exclude the courts would be against public policy, Mr Lever suggested.

The judicial review process enables complaints about the way decisions have been taken by government departments and other public or statutory bodies to be scrutinised by a judge to see if the body concerned has acted illegally, or unreasonably or been guilty of some procedural impropriety.

The process does not allow the judge to make a value judgment on the decision under challenge, but only to say whether the way it was made is legally sustainable.

The hearing continues today.

Utd Guarantee £2m injection and new board

United Guarantee (Holdings) has plans for a £2m capital injection, a re-listing of its shares and a shake up to its board.

Nearly £731,000 will be injected through subscription of 7,306,639 shares at 10p each. Mr John Botros, Mr Arthur Cook, Mr Frank Warren and their associates will subscribe 3,056,639 shares and institutional and private clients of Lyddon will subscribe 4.25m.

That will be followed by a rights issue of 12,983,254 shares on the basis of one-for-one at 10p each, to shareholders registered November 20 and subscribers. Lyddon has underwritten this, and irrevocable undertakings to take up rights in respect of 4,652,400 shares have been given.

The share premium account will be cancelled.

Application will be made to the Stock Exchange for the relisting of the existing shares and listing of the new. The shares were suspended in January at the company's request—price was 20p.

There will be major changes in the boardroom. On December 19 Mr Robert Clarke will join and become chairman in place of Mr E. Paynter, who will stay as an executive member.

Property Trust making further £3m cash call

BY NIKKI TAIT

Property Trust, the USM-quoted property company, yesterday announced that it planned to raise £3.4m via a one-for-one rights issue at 1½p following a capital reorganisation, the company then hopes to re-establish itself as an active property development and trading business with the injection of some new interests.

Property Trust, whose shares were suspended in September, last raised cash — £2.26m — from shareholders in May. At the time, the intention was to clear debts, sell certain properties — principally an office block in Edinburgh — and then inject a couple of companies controlled by Dr Gerald Smith, who joined the Property Trust board in June.

Dr Smith, however, was asked to resign from the company in October for undisclosed reasons, although Braemar Trust — part of the privately owned property company, SSS Group — where he was a shareholder, retained a 16.5 per cent stake in Property Trust.

Under the current rights issue proposals, Mr Tony Rhatigan, chairman of Property Trust, will underwrite the issue for a 1 per cent fee, and he has subsequently arranged sub-underwriting from private investors at a 5 per cent fee. Mr Rhatigan and another director, Mr T. Tufnell, have given irrevocable undertakings to take up rights in respect of their own holdings—well under 1 per cent.

Mr Rhatigan said yesterday that he had received a number of proposals which might lead to acquisitions in the future. "We would not be averse to a transaction involving the exchange of shares in Property Trust for those of a substantial private property company," he commented.

Property Trust's 10p shares remain suspended at 6½p.

Continuous Stationery

The effect of board changes and the acquisition of T. Blackburn (Printers) enabled Continous Stationery to show a pre-tax profit of £222,000 for the half year ended Setpember 30 1986.

The figure was struck on a merger accounting basis an compared with a profit of £107,000 last time, which fell to £57,000 by the year-end.

Sales for the half year came to £3.07m (£2.96m). Earnings were 2.2p (1.03p) and the interim dividend is 0.5p (0.45p) net.

IMPORTANT NOTICE

for holders of provisional allotment letters in

Bryant Holdings plc

On 14th November 1986 English China Clays P.L.C. ("ECC") announced its intention to make offers to acquire Bryant Holdings plc ("Bryant"). The formal offer documents, including forms of acceptance, will be despatched shortly by Schroders on behalf of ECC.

The offers will extend to Bryant ordinary shares issued by way of rights pursuant to the rights issue announced by Bryant on 13th October 1986. If you have purchased rights to new Bryant ordinary shares in provisional allotment letter form your name may not yet be included on the Bryant share register. However you can ensure that you receive copies of the formal offer documents by registering your name and address as soon as possible with:

English China Clays P.L.C.,
Group Secretariat,
John Keay House,
St. Austell,
Cornwall PL25 4DJ.
Telephone: 0726 623298

Alternatively, copies of the formal offer documents, including forms of acceptance, will be available for collection from the date of despatch from:

J. Henry Schroder Wagg & Co. Limited,
120 Cheapside,
London EC2V 6DS.

The Royal Bank of Scotland plc
Registrar's Department,
P.O. Box 27,
34 Fettes Row,
Edinburgh EH3 6UT.
Telephone: 031-556 8555

or

The Royal Bank of Scotland plc
Registrar's Department,
16 Old Broad Street,
London EC2N 1DL.

27th November 1986

This notice is published by J. Henry Schroder Wagg & Co. Limited ("Schroders") on behalf of ECC. The directors of ECC are responsible for the information contained in this notice. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this notice is in accordance with the facts. The directors of ECC accept responsibility accordingly.

IMPROVED MARGINS BOOST MIDWAY PROFITS TO £82M

Courtaulds beats City expectations

Courtaulds, the textiles and chemicals group which has just embarked on a £28.2m bid for Fothergill and Harvey, produced pre-tax profits up 36 per cent to £82m, for the six months ended September 30 1986.

The figures outstripped market expectations by a comfortable £8m to £10m and the group's shares closed 8p higher at 325p.

The group's bid last week for Fothergill, a Lancashire-based advanced materials processor and electrical insulation materials manufacturer, was immediately rejected.

Earnings per share increased by 26.5 per cent to 15.87p and the net interim dividend rose by 37 per cent to 2.4p per ordinary share from 1.75p.

Sir Christopher Hogg, chairman, said the group was continuing to improve its efficiencies and the quality of its sales mix.

"Operating margins improved from 5.9 per cent in the first half of last year to 7.6 per cent this year. Capital expenditure is continuing at twice the level of depreciation and the balance sheet remains strong.

"With these results, and the recently announced changes in board structure, we are well positioned to pursue our plans for the development of the group."

Courtauld's increase in operating profits was roughly equal at home and abroad, with a £44.6m (£35.1m) total for the UK and £38.9m (£28.5m) overseas.

There was a £5.2m increase in the overseas tax charge, which raised the group's overall tax rate to 22.9 per cent from 18.7 per cent. UK profits continued to be sheltered by previous years' unused ACT relief.

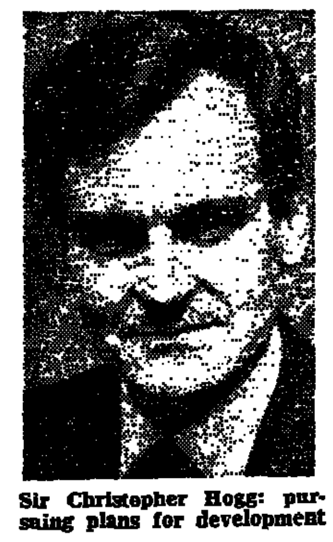
The resulting profit after tax was up by 29 per cent to £53.2m (£49m). Minority interests took £2.9m (£1.3m) and extraordinary items, including realisation results, £3.4m (£400,000).

Chemical and industrial products raised operating profits to £63.7m from £41.7m, with lower oil prices aiding fibre production and firmer pulp prices assisting the woodpulp division.

Paint was adversely affected by reduction in the off-shore business while a recovery in Cellophane and polypropylene films boosted packaging.

Textiles stood at £24.2m (£22.2m) thanks to improved efficiency, better production performance and the benefit of acquisitions.

If overseas results had been translated at last year's exchange rates, turnover would have been lower by £27.5m, and operating profit lower by £4.1m, principally in fibres.



Sir Christopher Hogg: pursuing plans for development

Kwik Save advances to £42.2m

BY ALICE RAWSTHORN

Kwik Save, a discount food retailing group, yesterday reported a 17.4 per cent increase in pre-tax profits of £42.2m for its last financial year, despite a slight slowdown in sales in the second half.

The second half slowdown affected the pace of growth in turnover which rose by 9.7 per cent to £794.6m (£724.3m) in the year to August 30. Although this rate of growth rises to 11.8 per cent if adjusted to accommodate the 53 weeks rather than 52 weeks of trading in the previous year.

Margins rose healthily thanks to the expansion of higher margin areas such as the Arctic Freezer Centres and the trend away from canned towards fresh foods in the Kwik Save stores. Trading margins rose to 4.08 per cent (3.76 per cent) and net margins to 5.32 per cent (4.97 per cent). Earnings per share rose to 17.63p (13.86p) and the company proposes a final dividend of 4.2p (3.4p).

Kwik Save engaged in a hefty capital expenditure programme during the year investing £33m (£21.6m) in new store openings and refurbishments. It acquired the Tates chain of stores from Northern Foods, which made a negligible contribution in the three weeks for which it was consolidated but is expected to produce £350,000 or so in profits this year and to increase thereafter.

The company also invested £3.5m in freehold reversions.

There are now 460 Kwik Save units, 50 Arctic stores and 113 Best of Cellars. An additional 44 Kwik Saves, 29 Arctics and 35 Best of Cellars were opened. According to the chairman and chief executive, Mr Ian Howe, the company expects to open more than 75 new stores and to refurbish more than 60 existing units in the current financial year. This should cost around £25m.

Mr Howe says that the pace of sales in the opening weeks of the current year has been relatively sluggish, as it was in the second half last year. Nonetheless he is confident that pre-Christmas sales may improve Kwik Save's prospects.

● comment

It has taken some time for Kwik Save's cheap but not necessarily cheerful brand of retailing to endear itself to the City. Slowly but surely the company has established a pattern of respectable rises in profits; speedy expansion funded from its ample cash pile; and results produced without recourse to frills like capitalised interest on store development. In many ways these preliminaries are classic Kwik Save results, except that sales growth is rather lower than expected and margins are rather higher. Hitherto the company has clung to its traditional territory of the North of England and Wales. It is now poised to move further North and South, but it remains to be seen how fussier Southern palates will react to the no-frills formula. With £48m in prospect for the current year the prospective p/e of 13 leaves the shares fully valued on yesterday's share price which rose by 2p to 255p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Anglo American Corporation, A. F. Bulgin, Burnett and Hallamshire, Carless Capel and Leonard, Dawson International, Matthew Hall, International Leisure, Leopold Joseph, Sterling Fund, Mercury International, Millward Brown, Murray Technology Investments, Sedwick.

Finals: British Empire Securities and General Trust, Chrysalis, Goring Kerr, North British Steel, Scottish Investment Trust, TACE.

FUTURE DATES

Interims—
FKB ... Dec 4
General Electric ... Dec 2
Stormgard ... Dec 5

Finals—
Associated Paper Industries ... Dec 10
Brown (Matthew) ... Dec 8
Carr's Milling Industries ... Dec 11
Guinness ... Dec 10

French bank plans no hostile bids

By Charles Batchelor

Dumenil-Leble, the French investment bank, announced yesterday that it did not intend at present to launch hostile takeover bids for Scottish & Mercantile Investment Trust and Ocean Wilsons (Holdings). However, it said it would still try to get the boards of the two companies to consider recommended offers.

Earlier this month, Ifincorp Earl, a small corporate finance house, announced it had made approaches to the two UK companies on behalf of Dumenil but said these had been rebuffed.

Ifincorp suggested yesterday that shareholders of Ocean and Scottish & Mercantile might exert pressure on their boards to hold talks.

"Shareholders who now feel deprived of the opportunity to decide for themselves as to the suitability of Dumenil's proposed offers may wish to encourage their boards to initiate discussions as soon as possible."

Dumenil said it was surprised that "formal, friendly approaches made in good faith" could be ignored without any attempt being made to discover whether the terms might be in the interest of shareholders.

Ocean's shares fell 2p to 78p yesterday while Scottish & Mercantile also eased 2p to 96p.

Stone Intl heads for £2m loss in first half

By Mike Smith

Stone International, the systems engineer which emerged from the failed textiles manufacturing group Stone-Platt International, yesterday told shareholders the company was heading for its first half year of losses since joining the stock market two years ago.

It blamed its problems on the need for a major contract to be reworked, reduced orders in the UK boiler business, a six-week strike at a US subsidiary and a major increase in product liability insurance cover.

For the six months to November 30, directors expect pre-tax losses to amount to about £2m, against profits of £3.02m in the corresponding period of last year. They predict at least £3m profits for the full year, against £6.09m in 1986 and £7.34m in 1985.

The statement, which follows a confident forecast and an increase in the dividend when last year's results were announced in August, led shares in the company to fall 1p to 111p.

Stone, a world leader in the supply of air conditioning, lighting and heating equipment for trains and rapid transit systems, was acquired from the receivers in a management buy-out in 1982 after the failure of Stone-Platt. When it came to the full market at the end of 1984, the shares, at 125p, were 19 times oversubscribed.

Mr Robin Tavener, managing director, said yesterday that the principal reasons for the trading losses in the first half of this year were attributable to problems at the UK transportation division.

A large order had been subject to expensive rectification and this had caused disruption to production processes in both the UK and the US factories. "The problems had now been re solved"

Mr Tavener said the UK boiler business had suffered reduced orders because of the downturn in oil prices. In the second half the division's performance would improve

Stone Johnston, a boiler manufacturer based in Michigan, had been expected to return to profit until it was hit by a six-week strike in August and September. First-half losses are now likely to be around £500,000.

In common with other manufacturers Stone International has also ha dto pay more for product liability insurance cover, particularly in the US.

The directors expect to declare an unchanged interim dividend of 1.61p per share when interim results are published in January. Total distribution for the year is likely to be maintained, they say.

Hollis increases cash offer for AE to 280p

BY DAVID GOODHART

MR ROBERT Maxwell's Hollis Group has confirmed that it will increase the cash alternative in its agreed offer for engineering group AE from 260p to 280p following "soundings" amongst AE shareholders.

Hollis said last week that it would make such an increase if a "substantial percentage" of AE shareholders expressed an interest. The Hollis offer faces competition from Turner & Newall which holds just under 30 per cent of AE.

arcades?said to be more than

Morgan Grenfell, advisers to Hollis, would not be drawn on what it meant by "substantial" stating that it was not inits tactical interest to release the figure. However it is not likely to have been seeking indications of support from holders of far above 25 per cent of the share capital.

The increased Hollis offer—which will run for three weeks from the release of the offer document—values AT at £280m in cash and £290m in shares. T&N's combined share and cash offer, which closes on December 5, values AT at just over £280m.

A close contest for control is now expected which will probably hang on shareholders estimation of the longer-term value of T&N shares. Few AT shareholders are expected to accept Hollis shares and, indeed, T&N's advisers pointed to the fact that only the Hollis cash offer has been recommended by AE and its advisers.

However, AE's advisers said it was not true—as claimed by T&N—that AT directors had undertaken only to accept the Hollis cash. Mr Bay Green of Kleinwort Benson said the directors' options remained open to accept either shares or cash.

AT will become the largest part of the engineering division of Hollis if its bid is successful. The AE management hopes to use the greater resources then potentially at its disposal to launch its own takeover initiative. Mr Maxwell has said that he wishes his private Pergamon Group to retain a stake of more than 50 per cent in Hollis. Sir John Collyear, chairman of AE, is set to become chairman of the enlarged Hollis.

Both the T&N and the Hollis bids are final although Hollis reserves the right to increase again if a new bid is made. AE yesterday confirmed its previous profit forecast of £28m. Its share price rose 5p to 281p and T&N rose 6p to 183. ...

JS Pathology expansion as profits rise 30%

BY CLARE PEARSON

USM-QUOTED JS Pathology, the pathology laboratory, announced yesterday that it was acquiring the trading business of Metpath (UK), the private clinical pathology laboratory which is a subsidiary of the US company Corning Glass Works, for an initial consideration of £4.6m in shares.

Simultaneously, it announced interim pre-tax profits up 30 per cent to £1.5m and said it intended to apply for a full listing of its shares after publication of its full-year results.

JS said the merger with Metpath would broaden the client base for its patholoy services, especially overseas where Metpath derives about 20 per cent of its turnover.

After the merger Dr J. P. Cruse, Metpath's managing director, will join the Board as an executive director.

In addition to the initial £4.6m, JS Pathology may pay up to £2.5m if the two companies achieve a combined turnover of more than £11m in the next financial year. It will share with the vendor any tax savings up to £1m from trading losses carried forward.

Metpath achieved turnover of £2.6m in the ten months to the end of September, according to its management accounts, and its net tangible assets have a value of £700,000.

JS announced yesterday that it achieved pretax profits of £1.51m (£1.15m) on turnover of £3.29m (£2.80m). Earnings per share amount to 7.9p (5.9p) and the interim dividend to 1.5p.

JS Pathology shares, suspended at the company's request on Monday at 443p, were restored to trading yesterday and closed at 415p, valuing the company at £49.6m.

Central Television

Central Television moved up to the main market at the end of October and its shares are not traded on the USM as stated in Wednesday's paper. The move accompanied the enfranchisement of the group's shares, when holders of the existing voting shares were offered one new share for every ten held, to compensate for dilution of voting rights.

Double approach to Wyndham

By Clay Harris

TWO SWANSEA suitors named Francis are pressing their individual attentions on Wyndham Group, the Cardiff-based engineering and property company.

Mr Terry Francis, chairman of property developer BJ Group, has built up a 12 per cent stake in Wyndham. Mr Huw Francis (no relation and no connection), a solicitor, and his business partner, Mr Robert Sullivan, say they hold almost 14 per cent, although Wyndham puts the figure at 11.45 per cent.

Wyndham is continuing to discuss proposals put forward by Mr Terry Francis, according to Mr Brian Brownhill, chairman. No further talks were planned with Mr Huw Francis and Mr Robinson.

Mr Huw Francis, said that he and his partner, a former European judo champion, were proposing to take an active role in the company and were prepared to inject up to £10m to broaden its commercial activities.

He said he had not talked to the other Mr Francis: "I do not think that his interests and ours can be reconciled."

Wyndham's share price has risen by 50 per cent since it failed in April to take over John Williams of Cardiff, a steel stockholder and foundry company. Its stake of about 16.5 per cent was worth £457,000 at yesterday's closing price.

Mr Brownhill said that Wyndham had received a number of approaches about its John Williams holding.

Suter lifts Thermax stake

Suter, the acquisitive engineering and distribution group, has once again lifted its stake in glass-maker Thermax and now holds 27.07 per cent.

Mr David Abell, Suter chairman, has been invited onto the Thermax board along with fellow Suter director Mr Bob Morris. Mr Abell did not, however, rule out making a full bid.

"We are not at present committed to making a bid but neither do we rule it out. It remains just one option," he said.

Mr Abell did indicate that no major acquisition was planned until UKO was fully integrated. Having paid £32m for UKO last April Suter sold off part of its ophthalmic business earlier this month for £3m.

Mr Abell said that Suter's balance sheet was in very good shape which would enable the next bid to be a straight cash deal.

IEP Securities

IEP Securities, a member of the Brierley group of companies, has almost doubled its holding in Equity and Law Life Assurance. Mr Ron Brierley's 11 per cent stake, up from the 6.1 per cent announced only a week ago, has cost some £32.2m.

Next chief's pay lifted to £283,000

Mr George Davies of Next, the fashion and furnishings retailer, was paid £283,128 in the year to August 1986, compared with £127,296 previously, according to the annual report.

The company said the increase, which contained an unspecified profit-linked element, reflected his promotion from managing director to chief executive of a larger group, which now included mail-order retailer Grattan.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Bassett Foods ......int	1.95	Feb 2	1.78	—	6.82
Continuous Stat ...int	†0.5	Feb 2	0.45	—	0.9
Courtaulds ....int	2.4	Jan 12	1.75	—	6.5
Govett Atlantic	1.9	Jan 23	1.7	3	2.8
Kwik Save	4.2	Jan 14	3.4	6	4.8
Magnet Southerns int	2.2	Feb 27	2	—	5.2
MEPC	8.5	—	8	11.5	10.5
N. American Tst	4	Jan 28	4	5.4	5.4
Pacific Invest ......int	nil	—	nil	—	0.35
TR Property Inv ...int	0.53	—	0.5*	—	1.33*

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Public Works Loan Board rates

Effective November 26

Years	Quota loans repaid by EIP† %	Quota loans repaid A‡ %	Quota loans repaid at maturity§ %	Non-quota loans A* repaid by EIP† %	Non-quota loans A* repaid A‡ %	Non-quota loans A* repaid at maturity§ %
1	—	—	11¼	—	—	—
Over 1, up to 2	11¼	11½	11½	12¼	12¼	12¼
Over 2, up to 3	11½	11½	11½	12¼	12¼	12¼
Over 3, up to 4	11½	11½	11½	12¼	12¼	12¼
Over 4, up to 5	11½	11½	11½	12⅛	12¼	12¼
Over 5, up to 6	11½	11½	11½	12	12	12
Over 6, up to 7	11½	11½	11⅝	12	12	12⅛
Over 7, up to 8	11½	11½	11⅝	12	12	12⅛
Over 8, up to 9	11½	11½	11⅝	12	12	12⅛
Over 9, up to 10	11½	11⅝	11½	12	12⅛	12
Over 10, up to 15	11⅝	11½	11½	12⅛	12	11⅞
Over 15, up to 25	11⅝	11½	11¼	11⅞	11⅞	11⅞
Over 25	11½	11	11	11⅞	11½	11½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

UK COMPANY NEWS

Magnet & Southerns up 71% to top £20m

AN ADVANCE of 71 per cent in pre-tax profit to £20.7m for the half year ended September 30 1986 is reported by Magnet & Southerns, manufacturer, merchant and retailer of building products.

But Mr J. T. Duxbury, chairman, said the results were viewed only as a foundation on which to build for the future; management information for the second half showed monthly turnover continuing to rise and margins steadily improving.

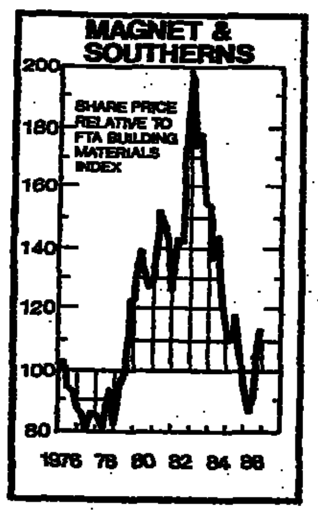
By the end of the current year it was planned to have 170 super-showrooms in operation.

In the half year turnover came to £153.76m (£119.9m), operating profit to £22m (£12.79m) and the pre-tax balance to £20.73m (£12.11m). The market had been looking for some £18m pre-tax.

Mr Duxbury said the record turnover and profit represented tangible evidence of the success brought about by recent policy changes and hard work by all the staff, supported by the not inconsiderable capital investment for the development and refurbishment of the sales outlets.

In the period a further 47 supershowrooms had been opened, making a total of 130 at September 30.

New depreciation rates have been instituted from April 1 as in the past the policy had been excessively conservative in respect of certain categories of



asset. Had the new rate been in force last year the 1985 half-time profit would have been some £600,000 higher.

After tax £7.24m (£4.95m) earnings worked through at 7.4p (4p) per share and the interim dividend is raised to 2.2p (2p) net. The last full year's pre-tax profit was £26m and the dividend total 5.2p.

There was an extraordinary charge of £1.18m (£272,000) net, being the estimated costs, including redundancies and write down of the value of certain assets, of the closure of the Widnes administrative office of Southerns-Evans. It was thought that would be recovered in not more than 12 months through savings made and productivity increases gained.

● comment

When Tom Duxbury took over the reins at Magnet & Southerns in March 1985 profits initially fell. The company's sales outlets clung on to the traditional trade orientated business and the rationalisation costs outweighed what few gains there were. Faced with this Magnet and Duxbury committed what the traditional joinery men considered commercial suicide — they decided to sell at the trade rate to all customers. The outraged builders merchants hit back: they ditched Magnet's goods and profits suffered again. So in came the accelerated conversion programme of Magnet's own showrooms. It is the combination of the supershowrooms with the pricing policy that has finally enabled the company to make what looks like its great leap forward. Forecasts for the year have been virtually doubled to £46m and those looking ahead to 1987-88 are expecting £70m pre-tax as the impact of the next 100 store conversions feeds quickly through. The shares at 241p are up 26p —but there is still lote more room in the loft.

Lanca moves into house plant distribution

By Charles Batchelor

Lanca, the handbag and clothing distribution group, is paying up to £2.9m in cash and shares for Clarke & Spears Group, a privately-owned distributor of house plants to multiple stores such as Marks & Spencer.

Clarke made a pre-tax profit of £274,000, including £30,000 of dealing profits, on turnover of £5.67m in the year ended June 1986.

The Clarke deal will double Lanca's turnover and forms part of a plan by Lanca to broaden its distribution activities. It is already negotiating a further acquisition which would take it into another product area.

"Once you are established with the major retailing groups that gives you the ability to go out and find other ranges of products to distribute to them," said Mr Andrew Greystoke chairman of City and Westminster Financial, which bought a 29.9 per cent stake in Lancia last June.

Lanca will make an initial payment for Clarke of 1.3m of its own shares and £650,000 in cash to be raised by a vendor placing. It will pay up to a further £1.57m if Clarke's profits reach £500,000 in 1987 or 1988.

Clarke's current shareholders are Mr John Newman, formerly of Hanson Trust, and Mr Nick Shipp. The two men, both accountants, have revitalised a number of industrial companies through their holding company, Newship Group.

Newship will emerge from this deal with a stake of about 11.5 per cent in Lancia. Last month Lanca announced pre-tax profits of £193,000 on turnover of £2.57m in the first half of 1986.

Bassett £0.8m up at six months

WITH POSITIVE contributions from each subsidiary Bassett Foods, the sugar confectionery group, was able to lift its profits to £186m pre-tax over the first 28 weeks of the 1986-1987 year

That compared with a depressed £10.6m last time and with £1.85m for the whole of the 1985-86 year.

Mr Bev Stokes, the chairman and chief executive, said yesterday that the continuing strategy of tight control of costs had enabled the group to improve profitability despite continued pressures on margins.

The 28 weeks to October 10 saw group sales rise from £37.52m to £41.22m and profits at the trading level by £746,000 to £2.38m.

Interest charges were cut to £468,000 (£518,000) but tax took a little more at £371,000 (£353,000) and left net profits at £1.49m against a previous £702,000.

Earnings per share more than doubled to 10.82p (5.15p) and the interim dividend is being lifted from 1.78p to 1.95p, an increaseof almost 10 per cent.

Mr Stokes noted that the enthusiasm with which the respective management teams had brought into operation the new organisation structure had been encouraging and added that the directors were now anticipating further significant business in overseas markets.

He summed up: "I the UK the post - Christmas trading period has fluctuated significantly over the past few years. We believe, however, that our new structure gives us better opportunities to limit the effects of any adverse trading conditions which may prevail during the final quarter."

Profits for the opening six months of the 1985-86 year fell by £640,000 following a six-week strike at the Pontefract and Sheffield factories during August and September.

● comment

Bassett's first-half progress is more apparent than real. Last time's figures were depressed by strike costs, a £200,000 downturn at the Dutch operation as new plant came in, and launch expenses of a less-than- successful new mint. Add back those factors, allow for the contribution — perhaps £200,000—from Anglo-Bellamy acquired a year ago, and any improvement at the trading level is minimal. That said, the better news is that Bassett has filled its management gaps—including the appointment of three new divisional MDs. Moreover, higher overseas sales accounted for over half the turnover increase, and the share of UK sales going to the CTN market has been pegged at just over 50 per cent. If the full-year produces £3.3m, the PE—with the shares up 6p at 196p and a 20 per cent tax around 10. At that level the shares look a fair two-way bet—if recent acquisitions herald growth, the price is not expensive and if Bassett stumbles again, Hillsdown—which holds a 6 per cent stake — might finally be able to agree an offer price.

Improving trend at Radio City

Despite the inclusion of redundancy costs amounting to £30,000, Radio City (Sound of Merseyside) was able to cut its losses for the 1985-86 year by £36,000 to £94,000 at the operating level.

The directors said yesterday that the radio station had returned to profit in the second half and was showing a substantial improvement over the comparable six months of the previous year.

The year to September 30, 1986 saw turnover fall from £2.84m to £2.41m.

There were extraordinary provisions of £40,800.

Negotiations are continuing for the sale of both the Beatle City exhibition and the premises.

The company's shares are traded on the USM. Loss for the past year per ordinary and "A" ordinary worked through at 5.35p (3.31p).

GOVETT ATLANTIC Investment Trust: Final dividend 1.9p making 3p (2.8p) for year to October 31 1986. Net asset value per ordinary — taking prior charges at market value of 184p (153.1p).

UK COMPANY NEWS

Hobson's choice leads to new diversification policy

BY CLAY HARRIS

Hobson faced up to its eponymous choice yesterday. The company said that continuing losses arising from its aluminium die-making process left it no alternative but to diversify by buying African trader Bannacount Exports in a cash-and-shares deal worth about £2.57m.

Hobson yesterday also reported a pre-tax loss of £120,134 (£125,638) on sales of only £6,376 (£2,140) in the six months to June 30. For the 15 months to next March, it forecast a loss of up to £290,000 in its existing business.

Despite the sales of dies made by the patented Hobson process to manufacturers in Britain, Sweden and France, the company would continue to lose money until it sold production rights to licensees. It was seeking development grants for adapting the process to copper, brass and rubber extrusion.

The USM-quoted company said that it would not have been able to continue trading without having raised £740,000 in a rights issue and capital restructuring in July. Development of the die-making process was not sufficiently advanced to continue to depend on it as the only source of potential earnings.

The purchase of Bannacount would significantly strengthen Hobson's financial and trading positions. Bannacount made pre-tax profits of £131,000 on sales of £3.64m in the year to March and forecasts profits of £700,000 for the current year. It had cash resources of £273,000 at September 30.

Essex-based Bannacount is a commodity trader and exporter of medicated toiletries to west and central Africa. Mr Terence Plummer, its chairman, will join the Hobson board.

The accounting firm of Mr Stanley Sharp, Hobson's controlling shareholder since July, formerly acted as auditors for Bannacount.

Bannacount will retain 4.2m of the 6,572,976 new shares to be issued by Hobson to pay for the acquisition, giving it 12.9 per cent of the enlarged share capital.

The other shares have been placed at 36p by Brown Shipley but will be offered to shareholders on the basis of about one for every 11 shares held.

Mr Sharp's investment vehicle, Hawknote, has applied for its full entitlement. It owns a 44.1 per cent stake at present. Hobson shares were suspended yesterday at xx, xx.

UK tonic for MEPC's profits

BY PHILIP COGGAN

MEPC, Britain's second largest property company, yesterday reported pre-tax profits 13.2 per cent higher at £58.4m (£51.6m), thanks largely to a good performance in the UK. Net assets per share were 6 per cent higher at 440p (415p).

The group remains unhappy about the refusal by the Court of Common Council of the City of London to grant consent for its plans to demolish Lee House and construct a new building bridging London Wall. The company now has the options of appealing against the decision, changing its plans or agreeing to refurbish Lee House.

The English Property Corporation, which was acquired in July 1985, has now been integrated into the group and total UK retail and office developments in progress and planned amount to about £500m.

Phase one of the office development at Abbey Gardens, Reading was completed during the year and 70 per cent of the 151,000 sq ft of office space is now let. Sales during the year from the UK investment portfolio realised £24m.

In Australia, MEPC welcomed the relaxation of controls on foreign investment and reported profits up 14 per cent in local currency terms but because of exchange rate movements, Australia's overall contribution was slightly reduced. In the US, the portfolio was affected by the oversupply of office space in Dallas and Denver. European income was higher, thanks largely to an improved contribution from Germany.

Net income from investment properties was £91.5m (£76.6m) and other income (interest receivable, trading profits, etc) was £18.2m (£17.4m).

After subtracting administrative expenses of £7.8m (£6.4m), finance costs of £43.5m (£36m) taxation of £19.1m (£17.9m) and preference dividends of £100,000 (£100,000), earnings attributable were 18 per cent higher at £39.2m (£33.2m). Earnings per share were 16.3p (15.3p). The dividend is being increased to 11.5p (10.5p).

● comment

Coming on top of the recent bad news on Lee House, these unexciting figures saw the shares weaken 9p to 337p. MEPC's development projects are mostly slanted towards the medium term and so pre-tax profits are unlikely to edge up to more than £65m this year. That might make the group anxious to acquire some short term growth, although it is probably not too worried about frequent takeover rumours since few predators would be willing to take the kind of dilution of earnings that a billion pound bid would imply. The EPC purchase has increased the UK bias of the profits, lessening in the process MEPC's attractions as a hedge against a downturn in the UK property market. With the discount to net assets running at 23.4 per cent (around the sector average), the shares do not seem an exciting prospect.

BP seeks share listing in Tokyo

By Lucy Kellaway

British Petroleum yesterday announced plans to get a listing for its shares in Tokyo, which will make it one of the most widely quoted companies in the world. BP shares are already listed in the US, Canada, Holland, Germany, France and Switzerland as well as in London.

BP will join a growing band of UK companies seeking listings in Japan, led by Cable and Wireless which got a quotation in April this year.

Mr David Simon, a managing director of BP, said yesterday that the decision was in line with BP's stated aim of broadening its shareholder base around the world, and would strengthen the company's business and financial ties with Japan.

"The Tokyo Stock Exchange is second in size only to New York and we see Japan as an increasingly important influence on the world's financial markets," he said.

Brokers to the listing are Nomura Securities and SG Warburg Securities.

Woolworth ADRs

Woolworth confirmed yesterday that it plans to establish a sponsored American Deopsitary Receipt facility in the US.

The ADR, a sponsored "Level 1" facility will trade on the US over-the-counter market and the Bank of New York will act as the depositary agent. A decision about a full listing on Nasdaq or the New York Stock Exchange will be made in the New Year.

NORTHERN AMERICAN Trust increased net asset value per 25p share to 503.3p (339.8p) in the year ended October 31 1986. After-tax revenue £1.37m (£1.88m) and earnings per share 3.95p (5.47p). Final dividend 4p making 5.4p (same).

ISSUE NEWS

Capital Radio full listing in new year

BY RICHARD TOMKINS

CAPITAL RADIO, Britain's biggest independent radio station, announced yesterday that it planned to seek a stock market quotation in the first few weeks of next year.

The London station will be the fourth to seek a stock market quotation but the first to go for a full listing. Piccadilly Radio, Radio City (Sound of Merseyside) and Radio Clyde are quoted on the USM.

Capital said a listing for its shares would represent a natural progression in the development of the company and enable its ownership to become more widely spread. It would also give listeners and staff an opportunity to invest in the station.

Mr Nigel Walmsley, managing director, said: "We have always promoted strong links with London's community, and wider share ownership is in line with our declared intention to go public at the time of our last IBA re-appointment."

Capital first won its London entertainment franchise in 1973 and the franchise was renewed for eight years in October 1984. In the year to September 1985 it made pre-tax profits of £936,000 on turnover of £17.5m, and the figures for the year just ended—due out next month—are expected to show a significant improvement.

Local radio stations have been blighted in recent years by poor advertising revenues and capital's 1985 profits figure represented a downturn from the previous year's. However, Capital hopes its size and stature will set it apart from other local radio stations and put it more in the category of a regional television station.

Its offer for sale will be sponsored by Barclays de Zoete Wedd with Capel-Cure Myers as broker, and will give the company a market capitalisation of about £13m.

All the shares being sold will probably come from existing shareholders, the main ones among who are Paul Hamlyn Broadcasting, Dominfast Investments, Rediffusion Radio, Local News of London, Express Newspapers and Strand Nominees.

Gaynor USM placing

BY ALICE RAWSTHORN

Gaynor, a manufacturer of plastic packaging products, is coming to the Unlisted Securities Market through a placing of shares which will capitalise the company at £4.85m.

The company was formed in 1970 and operated initially as a polythene film producer. Gaynor swiftly diversified into the manufacture of packaging, chiefly of carrier bags. It now supplies a wide range of retail multiples including the Burton Group, British Home Stores and Marks and Spencer.

Gaynor has increased both turnover and pre-tax profits steadily throughout the 1980s, producing profit of £533,000 on turnover of £5.28m in the year to August 31.

In the placing the company will issue 1.7m shares or 33 per cent of its equity at 94p a share. This produced earnings per share of 7.6p and a p/e of 12.4.

The flotation will raise £435,000 after expenses to be invested in the company — the bulk of the shares will be sold by family shareholders. This will be used to reduce borrowings and to provide capital for the development of additional warehousing facilities.

Fletcher subscribed 25 times

BY RICHARD TOMKINS

The offer for sale of shares in Fletcher King, the commercial estate agent, proved to have been 25 times subscribed with 21,117 applications for 57m shares chasing the 2.3m available.

The total vlue of the applications received was just under £100m at the offer price of 175p a share. Mr David Fletcher, the company's chairman, said he was delighted with the response.

Fletcher King's issue price was seen as conservative next to Baker Harris's and brokers are forecasting a premium of about 20p when dealings begin next Tuesday.

The heavy level of subscription, however, means that the shares will be heavily rationed among the applicants. Priority applications for 159,000 shares from staff will be met in full, but some members of the public will get no shares at all.

Applications for up to 1,000 shares will go into a weighted ballot for 100; for 1,500 to 3,000 shares there will be a ballot for 200; and for 3,500 to 6,000 there will be a ballot for 300. Applicants for 7,000 shares or more will get 5 per cent of the number sought, subject to a top limit of 2,500 shares.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1985							
2nd qtr.	108.9	104.5	109	114.9	141.4	3,174	161.7
3rd qtr.	108.4	103.7	103	116.1	145.2	3,194	164.4
4th qtr.	108.4	103.5	105	116.7	177.7	3,122	[illegible]
1986							
1st qtr.	109.2	102.8	98	118.2	145.4	3,171	[illegible]
2nd qtr.	108.9	103.5	106	120.0	152.7	[illegible]	[illegible]
3rd qtr.	110.6	104.8		122.1	157.4	[illegible]	[illegible]
March	109.5	102.8	106	119.7	[illegible]	[illegible]	[illegible]
April	110.8	104.1	102	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	107	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	107	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
October				[illegible]		[illegible]	[illegible]

OUTPUT—By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consmr. goods	Invest. goods	Intmd. goods	Eng. output	Metal. mnfg.	Textile etc.	Housg. starts*
1985							
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1986							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTERNAL TRADE—Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1985							
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1986							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HP, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank advcs. %	BS inflow £m	HP lending† £m	Base rate %
1985							
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1986							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October					[illegible]	[illegible]	[illegible]

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earn-ings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1985							
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1986							
1st qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
September	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
October		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Not seasonally adjusted.

† From January 1986 includes amounts outstanding on credit cards.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Baillie Gifford & Co Ltd
3 Glenfinlas St, Edinburgh 031-226 6066

Int'l Ex November 19	471.4	491.9	—	0.66
Japan Ex Nov 12	413.9	431.7	—	0.21
UK Ex November 16	235.9	251.0	—	1.34
Personal Int'l Dec 15	541.6	570.1	—	—
Personal UK Dec 15	231.5	243.7	—	—
BG Japan (z)	185.7	197.3	+0.7	0.08
BG America (z)	169.2	180.0	−0.6	0.00
BG Technology (z)	149.3	158.9	—	0.00
BG Energy (z)	159.3	169.5	−1.0	2.00
BG Income Growth	201.0	213.9	−0.1	5.35
BG Europe (z)	118.2	125.8	+1.5	0.73
BG Cass & General	52.7	56.1	+0.2	7.12

*Unauthorised

Bishopsgate Progressive Mgmt. Co
15 St James' Place, London SW1A 1NW 01-493 8111

Progressive Inc.	1182.0	1265.0	—	1.10
Progressive Acc.	1629.0	1745.0	—	1.10
International Inc.	1362.0	1457.0	—	1.08
International Acc.	1670.0	1787.0	—	1.08
Beckman	214.0	222.5	+1.2	—
Can & Foreign Inc.	155.0	163.8	—	1.27
Can & Foreign Acc.	165.9	175.2	—	1.27

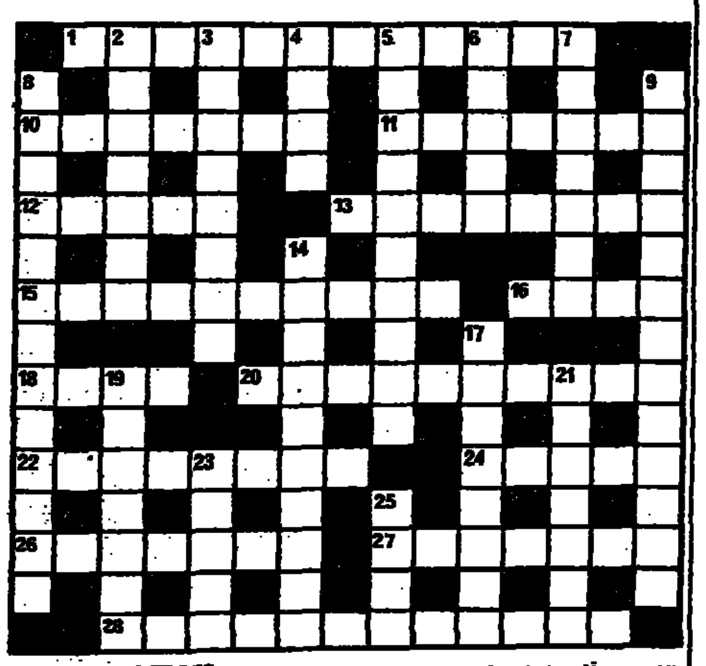
Brewin Dolphin Unit Tst Mngrs Ltd
5 Giltspur St, London EC1A 9DE 01-248 4400

Brewin Capital Fd	136.0	143.0	+1.7	1.07
Brewin Dividend Fd	71.8	74.5	+0.9	7.00
Brewin Int Gth Inc Fd	159.7	166.5	+3.1	3.98

INSURANCES

FT CROSSWORD PUZZLE No. 6,188

GRIFFIN



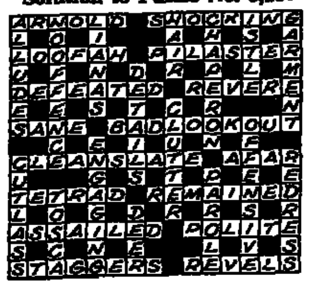
ACROSS

1 Sound of merriment following person's unlawful killing (12)
10 Be unwilling to take accountant round high class vineyard (7)
11 Fall back for redhead to pass by (7)
12 Class rode off by mid-afternoon (5)
13 Where some oilfields are no longer working with support (8)
15 Lacking first aid, sense it is something infectious (10)
16 Leading entertainer in strip show (4)
18 Old copper remains cast down (4)
20 If glum Anne dances, which is significant (10)
22 Sort of engine on trolley put back into production (8)
24 Spike has porn thrown out at Gateshead (5)
26 Not allowed to air view (7)
27 Most upset about the girl's flask (7)
28 Peter grins in assembly, being adventurous (12)

DOWN

2 Jack soon takes old Penny into desert (7)
3 Promising to provide information about sport (8)
4 Lean on a boat standing up (4)
5 Date first recorded in extraordinary red filing case (10)
6 Gossip about a student getting fixed up (5)
7 Rebuke salesman over new order (7)
8 A loan for somewhere to live (13)
9 Is to let more go round to see the weather man (13)
14 Wink more freely when meeting Elizabeth Collier (10)
17 Cuts pique into fragments (8)
19 Frighten by waving rattles (7)
21 Servant of Tom replaced by a Pole (7)
23 Peripatetic tutor is an unattractive woman (5)
25 A celebrity, but one out of step (4)

Solution to Puzzle No. 6,187



AUTHORISED UNIT TRUST & INSURANCES

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR9 2LG — 01-680 7181

Alpha Range—Life				
Managed Acc	94.0	99.0	+0.2	—
American Acc	100.5	105.8	+0.4	—
Deposit Acc	99.3	104.6	+0.1	—
European Acc	110.1	115.8	+1.2	—
Far Eastern Acc	109.4	115.1	+1.7	—
Fixed Interest Acc	81.7	86.0	-0.1	—
International Acc	107.8	113.5	+0.9	—
Property Acc	116.1	122.2	+0.9	—
UK Equity Acc	91.9	96.7	-0.5	—
Alpha Range—Pensions				
Managed Acc	96.4	101.4	+0.3	—
Premier Range				
Managed Acc—Life	102.5	107.9	-0.1	—
Managed Acc—Pensions	103.7	109.2	-0.1	—

Other unit prices available from American Life

Baltic Assurance Funds
20, Chiswell St, London, EC1Y 4TY — 01-374 6801

Managed Growth	250.13	263.29	+0.90	—
Managed Income	119.56	125.85	—	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 — 01-534 5544

Barclaybond	351.5	370.1	+0.2	—
Managed Accum.	298.1	313.8	+0.1	—
Equity Accum	433.5	456.4	+0.7	—
Property Accum	206.6	217.5	—	—
International Accum	270.6	284.9	-0.4	—
Gilt-edged Accum	192.4	202.6	-0.2	—
Money Accum	176.0	185.3	—	—
American Accum	180.3	189.8	-0.6	—
Australia Accum	157.7	166.1	+1.5	—
Financial Accum	202.9	213.6	+0.3	—
"500" Accum	218.0	229.5	—	—
European Gwth Accum	146.2	153.9	+0.5	—
Income Accum	241.5	254.3	+0.6	—
Japan & Gen Accum	303.6	319.6	-0.8	—
Leisure Accum	148.6	156.5	—	—
Spec Sits Fd Accum	121.3	127.7	+0.4	—
Universal Tec Accum	109.2	115.0	-1.6	—
Managed Pen Accum	397.1	418.0	-0.4	—
Equity Pen Accum	144.5	152.2	-0.1	—

Cornhill Insurance PLC
57 Ladymead, Guildford — 0483 68161

Equity Fd(A&B) Nov 20	250.5		264.0	—	—
Fixed Int(A&B) Nov 20	161.5		170.0	—	—
Man Growth(A&B) Nov 20	518.5		546.0	—	—
Money Fd (A&B) Nov 20	142.5		150.0	—	—
Cap Fd(A&B) Nov 15		400.0		—	—
G.A.S. Spec Fd(A&B) Nov 15		166.0		—	—
Far East Eq(A&B) Nov 20	178.0		187.5	—	—
N.Amer Eq(A&B) Nov 20	107.0		113.0	—	—
Int Technlgy(A&B) Nov 20	156.5		165.0	—	—
Property (A&B) Nov 20	195.5		206.0	—	—

Credit & Commerce Life Ass. Ltd
74 Shepherds Bush Green, W12 8SD — 01-740 7070

Life Funds				
UK Equity	140.8	148.5	-2.2	—
American Equity	118.8	125.3	—	—
Far East Equity	156.7	165.3	—	—
Managed Fund Acc	361.0	380.0	—	—
International Equity	188.0	198.5	—	—
Gilt Edged	177.5	187.2	—	—
Money Fund	144.4	152.3	—	—
CCL Henderson	159.1	167.8	—	—
CCL Perpetual	200.1	211.1	—	—
CCL Property	224.6	236.9	—	—
Smaller Cos	240.7	254.0	—	—
Perpetual Eurogrowth	113.7	119.9	—	—
CCL Nestfam Fund Inc	97.4	102.7	—	—

Criterion Assurance Group
Swan Court, Petersfield, Hants — 0730 63281

Ultimate Mngd Fund	172.4	181.5	+0.8	—
Criterion Mngd Fund	165.6	174.2	+0.5	—
Pension Mngd Cap	52.0	54.7	+0.4	—
Pension Mngd Act	61.3	64.6	+1.0	—
Pension G'nteed Dep Ac	34.6	36.4	+0.1	—

For closed Fund unit prices ring 0730 63281

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW — 04862 5033

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$18.64		+0.17	—

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$16.73		..	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$16.76			—
Dynamic Gwth Fd	$18.55			—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$12.30	12.89	+0.04	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	10.32	7.73	11.32	3-mth
CAFCASH 7-day Fund	10.24	7.65	11.23	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.50		10.92CAR	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.53	7.36	11.49	6mth
7-day Fnd	10.44	7.83	11.41	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.22	7.64	10.97	6-Mth
7-day Fund	10.16	7.59	10.89	6-Mth
Dollar	4.87	3.64	5.21	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	10.25	7.50	10.86	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	10.25	7.66	11.10	Qtr
MdIntChq £1000-£5000	10.00	7.48	10.90	Mth
Mth. Int. Chq. £5,000+	10.25	7.66	11.18	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	11.00	8.22	12.03	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.25	7.66	11.18	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older assurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect.	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons.	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Secs.	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	Brist. Oil & Min.	3½
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd.	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	3½
Ladbroke	32	Shell	65
Legal & Gen.	28	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk.	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

Freight futures exchange suspends tanker contract

BY ANDREW GOWERS

LONDON'S LOSS-making freight futures market is to suspend trading in tanker futures, its second contract based on a freight rate index, following an apathetic response from the oil and shipping industries.

The decision to phase out the contract when the December position expires on the 19th of the month was confirmed yesterday by the Baltic International Freight Futures Exchange (Biffex). All but four trading months were dropped yesterday.

The tanker futures contract has attracted only sporadic trading interest since it was launched last February, with daily turnover mostly ranging between 15 and 40 lots. This week, the contract has traded one lot.

The decision to scrap it is a setback for the fledgling freight futures market, and for London as a commodity futures trading centre. Several other markets, including the International Petroleum Exchange and the London Meat Futures Exchange, have had tremendous difficulty in getting new contracts off the ground in recent years.

Exchange executives and traders yesterday blamed the oil and tanker industries for their unwillingness to experiment with the new contract.

However, the contract has also suffered from the volatile but generally bearish conditions in the world oil market since its launch. "The trade did not want to hedge its position on the futures market, in part because of the changing structure of the oil market," said Mr Stephen Carter, Biffex chief executive.

Biffex decided to scrap the contract for two reasons: because its failure was eroding confidence in the exchange's other contract, in dry cargo futures; and because it costs sizeable sums of money to put together the tanker index on which the futures contract is based.

Interest in the exchange's dry cargo futures contract, by contrast, is building up, with activity up by a third from its level six months ago and now averaging about 200 lots a day. Mr Paul Vogt, Biffex chairman, said it was still losing money for the exchange's 30 floor members and 29 ordinary members, but he expected a balanced budget next year.

China may get bigger EEC tapioca quota

By Tim Dickson in Brussels

THE EEC Commission announced yesterday that it wants to lift the annual import quota of Chinese manioc (or tapioca) from 300,000 tonnes at present to 350,000 tonnes for each of the next three years. At the same time the Commission says that following a big surge in quantities during the first half of 1986, China has agreed to limit its exports of sweet potatoes to the Community to 600,000 tonnes per year.

The Commission move once again highlights the inherent conflict between the EEC's Common Agricultural Policy (CAP) and aspects of the Community's external trading relationships.

Manioc and sweet potatoes are used mainly in Europe as feedstuffs for pigs, and as such displace other animal feeds, notably cereals. The French in particular have long campaigned against imports of such substitutes (including American soya) on what they consider preferential terms, and will be far from happy at the latest proposal. The levy on manioc imports is just 6 per cent, while sweet potato imports are not taxed at all.

The Chinese, on the other hand, had a $2.7bn deficit on trade with the EEC during 1985 and specifically asked Mr Jacques Delors, President of the European Commission, for an increase in the manioc quota as one means of redressing the balance.

Thailand is by far the biggest EEC supplier of manioc with a quota of 5.25m tonnes, while Indonesia and Brazil are allowed to export respectively 825,000 tonnes and 145,590 tonnes to Europe.

Based on an average price for manioc and sweet potatoes of Ecu 150 per tonne, the arrangement (if approved by EEC Ministers) would be worth around Ecu 150m to China.

Brent oil market counts the cost of losing a tax loophole

BY LUCY KELLAWAY

THE OIL market is no slouch when it comes to making a quick judgment—even if it is equally adept at changing its view subsequently. Yet more than a week has passed since the British Government announced that "tax spinning"—one of the reasons for the creation of the Brent forward market—is to be stopped, and the market has still not agreed on a verdict on what the effect is likely to be.

Some say that liquidity in the Brent market will suffer greatly as a result, some expect little change, an eccentric few even reason that activity could rise, but most admit that they simply do not know.

According to Petroleum Intelligence Weekly, for each cargo that is actually produced, about 20 "paper deals" are done, with an average of 900 such deals struck each month.

At the moment there are three reasons for a company to use the market: to establish as low a price as possible to put on its Petroleum Revenue Tax (PRT) return; to hedge its production of Brent or of other crudes, or to trade with a view to making a profit.

Even with the first motivation removed, companies will still want to hedge and to trade, and so the market will continue to exist, even if on a slightly smaller scale.

The oil companies themselves, who alone know what proportion of trades are solely motivated by tax considerations, are, hardly surprisingly, keeping quiet on the matter. To let loose a storm of protest over the new proposals, would amount to an admission of how beneficial the present arrangement is.

Under the existing rules oil companies can either transfer oil directly to their refineries—in which case they haggle with the Revenue on what an appropriate market price should be in order to assess the PRT. Alternatively, they can make an "arm's length" sale to a third party, in which case the PRT is assessed on the actual price received. Thus, so long as there is scope to establish a lower, arm's length price for oil, there is reason to trade.

The new proposals would make two important changes. First they would tidy up the pricing used for internal transactions by introducing a fixed "market price" which will be the same for all companies and will be based on an average of actual deals struck over a six-week period.

The second change concerns the pricing of arm's length transactions. In most cases, a company will no longer be taxed according to the actual prices at which the deals were done. Instead, if the prices of actual transactions presented for any given month are on average lower than the Revenue's "market price," then the Revenue will simply apply its own market price. (Presumably, however, if the oil company's average is higher, then no change will be made, meaning that it loses out either way.)

The possibility that a company's reported trades might systematically be lower than average prices arises because the cargoes are sold many times over. If, for example, a producer has two cargoes to sell, but has entered into half a dozen paper sales, it can simply choose to deliver the two contracts with the lowest prices and close out the others.

The more volatile the oil price the greater the advantages of such a system. Indeed, over the past six months when monthly fluctuations have frequently been as great as $5bn, taxing producers on the basis of their lowest trading prices, a huge loss in potential tax revenue must have resulted. So the Inland Revenue, which has hitherto permitted "tax spinning," has finally been forced to take action.

There is a kind of irony in the new proposals, however. The industry is to receive a cut in its PRT, and the Government reacts by closing the loopholes in the present system.

The Government has invited the industry to comment on the proposals, and early indications suggest that its comments will not be particularly favourable. Because the rules only apply for the time being at least, to Brent and not to other grades of crude, they seem to discriminate against Shell and Esso, the operators of the Brent field. BP, which operates the Forties, the other giant North Sea producer, is allowed to go on as before. Shell is already grumbling at the unfairness of the proposals.

The application of the rules, and now the definition of prices may also cause a host of difficulties. "These rules will certainly worry oil companies. They will make implementation of PRT open to challenge and to inequity. The market is not sufficiently transparent to make the idea of an average price work," argues Mr Robert Mabro of the Oxford Institute for Energy Studies.

Mitsui to close aluminium smelter

By Ian Rodger in Tokyo

MITSUI ALUMINIUM is closing its Miike smelter next March and withdrawing from the aluminium smelting sector.

The move is the latest in a long series that has seen Japan's aluminium smelting capacity plunge from 1.6m tonnes a year in the mid-1970s to less than 200,000 tonnes today. The energy intensive industry has become uncompetitive mainly because of Japan's high electricity charges.

Following the closure of the Mitsui smelter, which has a capacity of 125,000 tonnes a year, only two smelters will remain, a 50,000 tonne facility owned by Nippon Light Metal and a 20,000 tonne operation owned by the Mitsubishi group.

Andrew Gowers interviews Simon Gourlay, the NFU President

British farming on the defensive

"IT'S NOT easy leading an industry some sectors of which are facing difficult times," said Mr Simon Gourlay, president of the National Farmers' Union, yesterday. "People tend to get rather agitated."

Not so Mr Gourlay himself, however. Since taking over as leader of Britain's farm lobby nine months ago, he has seen what was already an inauspicious climate for agriculture turn downright hostile, at least as far as livestock farmers are concerned. But he seems remarkably unflustered—either by the European Commission's latest efforts to curb runaway dairy and beef spending or by predictions that UK agriculture is embarking on its deepest recession since the Second World War.

"The indications for the next five years are that we'll have a battle to maintain even the existing level of profitability in agriculture," he acknowledges. Production of almost everything will have to be cut to bring supply more in line with demand; the EEC is, in the short term at least, unlikely to sanction an increase in its budget to fund the excesses of the Common Agricultural Policy (CAP); environmental pressure on farming is bound to increase; land values may fall further; and some farmers will face increasing difficulty in servicing their debts. Yet the NFU president insists: "The long-term prospects for agriculture are still reasonably bright. We're not going to see the industry suddenly cast adrift."

The articulate Mr Gourlay, a farmer in the Welsh border country, certainly contrasts with his mild-mannered predecessor, Sir Richard Butler. His grasp of the facts is impressive, and his judgment seems sound. Yet the dilemma he faces is essentially the same. Indeed, it resembles that of any industry on the defensive: the NFU is desperately trying to fight its corner but needs to portray its case in a constructive light; it cannot afford to be seen constantly saying "no" to cutbacks.

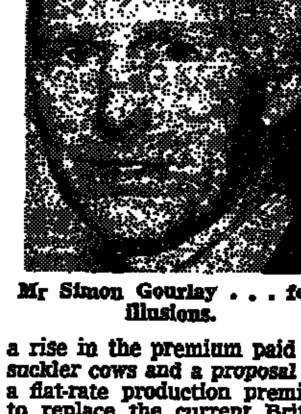
In this vein, and unlike some of its lobbying counterparts on the Continent, it has been acknowledging for some time that major changes are needed in the CAP. It has made it equally clear—in contrast to the policy of Mr Michael Jopling, the British Agriculture Minister—that it wants these to take place with minimal disruption of the livelihood of its members.

Mr Gourlay's immediate concerns revolve around the inextricably linked beef and milk sectors—in that order, he says, because the EEC is likely to agree on measures aimed at solving the former headache before the latter. But there is a common thread, whether he is talking about livestock or cereals: the EEC needs money, he says, not to fund an endless expansion of production but to pay for a once-for-all reduction of stocks once there are signs that the production surpluses are being brought under control.

On beef, the European Commission is trying to reduce expenditure by ending intervention buying. Mr Gourlay is adamant: this would wipe out altogether what meagre profits are to be had in beef production, at a time when another wave of surplus supplies is about to flood on to the market as a result of milk quota reductions. He also says the EEC — which is, after all, considering ways of reducing the output from its farmland — ought to take account of the beef sector's position as an extensive user of grassland.

Predictably, the NFU president also sides with those optimists who believe that the EEC's beef problem is only a temporary one, despite declining consumption. The herd is likely to be significantly reduced by the wave of cow culling ushered in by new milk quota cuts. "At the end of three years, all the indications are that beef will be in balance and cost nothing," he says, musing that although red meat is unlikely to win back much of the market share it has lost to the intensive livestock producers, it may be able to stop the rot with better marketing.

Mr Gourlay indicates his willingness to back a compromise proposal currently being drawn up by the British Agriculture Ministry, which is in the EEC chair until the end of the year. This will call for a lowering of the level at which intervention would take place,



Mr Simon Gourlay . . . few illusions.

a rise in the premium paid for suckler cows and a proposal for a flat-rate production premium to replace the current British variable premium scheme.

In milk, he does not deny that the problems run deeper, or that more strenuous efforts are needed to cut production. He is surprisingly receptive to the EEC's suggestion that more needs to be done to enforce quotas at the level of the individual farmer. But he says these moves should be accompanied by the maintenance of a stable support mechanism (in other words, no fundamental tampering with intervention), and by a substantial promotional campaign for milk products funded by producers.

Above all, he says, the EEC needs more money to finance disposal of the massive butter and skimmed milk powder stocks overhanging the market — although he accepts that the Community has little prospect of increasing its so-called "own resources" until 1989 and that the politicians will not be prepared to find money for stock disposals while production is not firmly under control.

Dumenil said it was surprised

The cereals problem, the focus of the EEC's concern a year ago, has seemed less of a pressing issue of late, largely because of a rise in demand as a result of drought in the southern parts of the Community. But Mr Gourlay agrees that the current mood of relative confidence among grain growers is a false dawn. "Cereals will be the central issue again this time next year," he says, even if the Community takes what he regards as the "soft option" in next spring's price negotiations of simply raising the co-responsibility levy, the tax on producers introduced this year.

And the NFU — which last year launched the idea of "flexi-quotas" to curb production—is busy refining its ideas. Mr Gourlay, like many farmers, is deeply sceptical about Mr Jopling's proposals under which farmers would volunteer to receive payments for laying their land fallow or switching to alternative crops. He believes that the Community will need in the end to compel farmers to take land out of production altogether, in order to prevent surplus problems spilling from one crop into another. And he is campaigning—with all three political parties — for more attention (and money) to be devoted to serious long-term issues of land use, such as farm forestry.

About the immediate problems, though, Mr Gourlay has very few illusions. Some farmers are bound to go to the wall, whatever happens, he says; about 10 per cent are estimated to have debt problems at present. And their lobbyists are going to have to tread what he calls "a tortuous path" in defending their interest over the next couple of years.

LONDON MARKETS

LONDON COCOA futures prices continued their recent gradual decline yesterday with nearby positions ending close to three month lows. Daily movements have remained modest but falls have outnumbered rises by seven to two over the last nine trading days, and the net result has been £71.50 decline. The March position dipped to £1,456 a tonne yesterday before rallying, in response to the New York market's early strength, to end only £2 down on the day at £1,461.50 a tonne. But dealers said underlying fundamental and technical factors remained bearish. On the coffee futures market the prompt November position fell £107.50 to £2,195 a tonne, but that only wiped out Tuesday's gain, which reflected short-covering against the expiry of that position tomorrow. Other coffee futures positions drifted lower in the afternoon with the January quotation closing £10.50 down at £2,102 a tonne. On the London Metal Exchange the cash lead price gained £11 to £339.50 a tonne, recouping the fall caused by a sudden shake-out on Tuesday.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	782.5-3.5	−5.5	784.5/784
3 months	783-5.5	−4	802.5/798.5

Official closing (am): Cash 784-4.5 (790-0.5), three months 800.5-1 (805.5-6), settlement 784.5 (790.5). Final Kerb close: 799-800. Turnover: 20,325 tonnes.

COPPER

Grade A	Unofficial close	+ or −	High/Low
Cash	916.5-7	−0.5	916/916.5
3 months	942.5-3	−1	943/941.5

Official closing (am): Cash 916.5-7 (916.5-9), three months 941.5-2 (944-4.5), settlement 917 (919). Final Kerb close: 942-4.

Standard			
Cash	893-5	−3	895.5/894
3 months	922-4	−2.5	922/922

Official closing (am): Cash 894-4.5 (895-6.5), three months 923-3.5 (924-5), settlement 894.5 (896.5). US Producer prices 62-65.50 cents a pound. Total turnover: 15,175 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	339-40	+11	342.5/338
3 months	321.5-2	+5.5	324/321

Official closing (am): Cash 342-3 (340-1), three months 322.5-3 (322.5-3), settlement 343 (341). Final Kerb close: 321.25-2. Turnover: 13,725 tonnes. US Spot: 24-29 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2540-5	+7.5	2540/2540
3 months	2585-7	+8.5	2590/2560

Official closing (am): Cash 2,545-50 (2,540-50), three months 2,580-90 (2,585-7), settlement 2,550 (2,550). Final Kerb close: 2,585-90. Turnover: 1,044 tonnes.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.15 (16.10) ringgit per kg. Up 0.5.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	551-2	−5	553.5/553.5
3 months	547.5-8	−3	553.5/54o

Official closing (am): Cash 553.5-3.75 (564-3.5), three months 548-9 (55), settlement 553.75 (563.5). Final Kerb close: 544-5. Turnover: 12,281 tonnes. US Prime Western: 44-50.75 cents per pound.

GOLD

Gold fell $2½ to $382-382½ on the London bullion market yesterday. It opened at $384¼-384¾ and was fixed at $384 in the morning and $383.60 in the afternoon. The metal touched a high of $384¾-385¼ and a low of $380½-381. There were no new factors, with US traders squaring positions ahead of today's Thanksgiving holiday, and movements generally reflecting technical considerations.

GOLD BULLION (fine ounce) Nov. 26		
Close	$382-382½	(£266½-267)
Opening	$384¼-384¾	(£269¼-269¾)
M'n'g fix	$384.00	(£268.719)
Aft'n'n fix	$383.60	(£267.971)

GOLD AND PLATINUM COINS		
Am Eagle	$397-402	(£277½-281)
Mapleleaf	$393-397½	(£274¾-277¾)
Kr'g'r'nd	$382-385	(£267-269¼)
½ Krug	$194-195	(£135¾-136¼)
¼ Krug	$31-32	(£21¾-22¼)
Angel	$390-393	(£272¾-274¾)
1/10 Angel	$40-45	(£28-31½)
New Sov.	$89-92	(£62¼-64¼)
Old Sov.	$91-92½	(£63¾-64¾)
$20 Eagle	$455-500	(£318-349½)
Noble Plat	$487-497	(£340½-347½)

SILVER

Silver was fixed 0.75p an ounce lower for spot delivery in the London bullion market yesterday at 369.5p. US cent equivalents of the fixing levels were: Spot 528c, up 3.8c; three-month 535.9c, up 3.5c; six-month 544c, up 3.6c; and 12-month 560.3c, up 3.7c. The metal opened at 370-371½p (528-530c) and closed at 369½-370p (528-530c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	369.50p	−0.75	365p	−5.5
3 months	379.70p	−0.85	375p	−5.75
6 months	390.25p	−1.05	—	—
12 months	411.10p	−1.20	—	—

LME—Turnover: 18 (6) lots of 10,000 ozs.

Three month high 379p, low 378.5p, final Kerb 377-9p.

SOYABEAN MEAL

A weaker dollar produced local and speculative selling against only scattered commercial buying interest, reports Muirpace.

	Y'sterd'ys close	+ or −	Business done
	£ per tonne		
Dec.	150.8-156.8	—	—
Feb.	153.8-136.8	−0.55	133.0
April	132.5-133.0	−0.50	133.0-132.5
June	129.8-129.8	−1.20	133.5-129.5
August	128.0-128.8	−1.15	—
October	130.0-130.5	−0.75	—
Dec.	131.0-135.0	−1.05	—

Sales: 788 (1,273) lots of 40 tonnes.
Sales: 131 (202) lots of 20 tonnes.

INDICES

REUTERS

Nov. 26	Nov. 25	M'nth ago	Year ago
1609.5	1611.9	1594.4	1714.6

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Nov. 25	Nov. 24	M'th ago	Year ago
Spot	118.98	118.53	—	120.84
Fut	117.60	117.39	—	121.95

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Nov. 26 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1185/1195		$1225/1245
Copper			
Cash Grade A	£916.75	−0.25	£916.5
3 mths	£942.75		£941.5
Gold Troy oz	$382.25	−2.5	$405.25
Lead Cash	£339.5	+11	£320.5
3 mths	£321.75	+5.5	£316.25
Nickel			
Free Mkt	165/185c		162/182c
Palladium oz	$117.65	−0.25	$127.75
Platinum oz	$477.50	+8.25	$571.50
Quicksilver†	$160/170		$160/170
Silver troy oz	369.50p	−0.75	395.40p
3 mths	379.70p	−0.85	406.40p
Tin			
Free mkt	£4420/4480	−25	£4510/40
Tungsten	$45.57		$51.25
Wolfram 22.04lb	$33/40		$32/42
Zinc	£551.5	−5	£611
3 mths	£547.75	−3	£602.5
Producers	$920		$920
OILS			
Coconut (Phil)	$400v		$455
Palm Malayan	$307.5u	−2.5	$330
Seeds			
Copra (Phil)	$260v		$290
Soyabean (U.S.)	$155	−1	$165
GRAINS			
Barley Fut. Mar.	£114.55	+0.15	£112.20
Maize	£145.00		£144.00
Wheat Fut. Mar.	£115.90	+0.35	£110.90
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1461.5	−2	£1549.9
Coffee Ft. Jan.	£2102	−10.5	£2222.5
Cotton A Ind.*	59.15c	−0.5	51.10c
Gas Oil Jan.	$126.75	+3.5	$113
Rubber (kilo)	62.75p	−0.25	67p
Sugar (Raw)	$148	−0.5	$142
Wooltops 64s	450p kilo		416p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v Nov-Dec. y Dec. x Jan-Feb. z Dec-Jan. u Jan.

COFFEE

On a day which saw prices fluctuate in a narrow range most positions were well supported by trade buying, reports Drexel Burnham Lambert. The volatile spot November suffered a reaction as deliveries increased and this, coupled with heavy dealer selling of the March position, gave a somewhat mixed appearance to closing prices. Physical offtake was slack.

COFFEE	Yesterday's close	+ or −	Business Done
	£ per tonne		
Nov	2190-00	−107.5	2285-2185
Jan	2100-04	−10.5	2115-2071
March	1955-60	−10.0	1963-1948
May	1965-60	−45.0	1965-1955
July	1980-85	−50.0	1985-1980
Sept	1985-95	−50.0	2005-2000
Nov	1990-10	−55.0	—

Sales: 3,818 (6,135) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for November 26: Comp. daily 1979 142.67 (143.62); 15-day average 148.33 (148.62).

COCOA

Futures traded in a confined range throughout the day. Manufacturer price-fixing was apparent at the lower levels which curbed any further decline in prices. Origins were not evident as sellers during the day, reports Gill and Duffus.

COCOA	Yesterday's close	+ or −	Business Done
	£ per tonne		
Dec	1431-1432	−6.0	1451-1420
March	1461-1462	−2.0	1465-1456
May	1484-1486	−0.5	1486-1479
July	1507-1508	+0.5	1510-1502
Sept.	1529-1530	+1.0	1530-1525
Dec.	1557-1558	+1.0	1558-1557
March	1585-1587	+2.0	1587-1588

Sales: 4,114 (2,966) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for November 26: 90.54 (90.15); five-day average for November 27: 90.61 (90.91).

POTATOES

Follow-through buying from the previous strong close resulted in immediate £1.20 gains on April. Resistance at this level was keen and values fell back towards £150.00 before buyers again emerged. The tone was nervous as fundamental influences clashed with chartist considerations, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	110.30	111.00	—
Apr	153.20	152.60	154.50-150.50
May	171.50	172.80	172.30-168.00
Nov	87.50	87.50	—
Feb	95.50	100.00	—

GRAINS

Old crops steadied on bullish export figures reaching highs in later trading on nervous consumer buying before easing back on trade selling. New crops steadied fractionally on shipper support, reports T. G. Roddick.

WHEAT Mnth	Yesterday's close	+ or −	BARLEY Yest'rdy's close	+ or −
Jan	111.00	+0.35	112.45	+0.20
Mar	113.90	+0.35	114.55	+0.15
May	115.95	+0.40	115.75	+0.50
July	117.50	+0.35	—	—
Sep	101.40	+0.25	100.65	+0.10
Nov	103.70	+0.25	103.20	+0.10

Business done—Wheat: Jan 111-25-10.90, March 114.20-3.80, May 116.10-5.85, July 117.50, Sept 101.30, Nov 103.65. Sales: 731 lots of 100 tonnes. Barley: Jan 112.50, March 114.65, May and Sept untraded, Nov 103.15. Sales: 7 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No 1, 15 per cent: Dec 106.25, Jan 107.00, Feb 108.25, March 109.00. French 11½-12 per cent: Dec 140.50. English feed, fob: Dec 113.50-114.00, Jan 115.50, Jan/March 116.75-117.00 paid East Coast. Jan 115.50 buyer, Jan/March 116.50-117.00 buyer/sellers. Maize: US No 3 Yellow French, transhipment East Coast: Dec 145.00. Barley: English feed, fob: Nov 113.00 seller Scottish, 114.00 English, Dec 114.00, Jan 115.75, Jan/March 116.75 seller Scottish, Jan/March 117.50-118.00 buyer-sellers English.

HGCA—Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne). Feed barley: Eastern 107.00, E. Midlands 111.00, N. East 110.00, Scotland 107.00. The UK monetary coefficient for the week beginning Monday, December 1, is expected to remain unchanged.

RUBBER

PHYSICALS — The London market opened slightly easier, attracted little interest throughout the day and closed neglected, reports Lewis and Peat. Closing prices (buyers): Spot 62.75p (63.00p). Jan 60.75p (61.00p). Feb 61.00p (61.25p). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 211.5 (212.5) and SMR 20 192 (193).

FUTURES—Index 638, Dec 635-645, Jan-March 645-655, April/June 655-665, July-Sept 661-676. Sales: 10.

MEAT

MEAT COMMISSION — Average fatstock prices at representative markets.

GB—Cattle 92.68p per kg lw (+0.75). GB—Sheep 178.28p per kg est dcw (+10.54). GB—Pigs 76.48p per kg lw (+0.80).

OIL

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Dec.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	13.55-13.70	+0.75
Brent Blend	14.45-14.50	+0.15
W.T.I. (1pm est)	15.15-15.25*	+0.25
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	141-145	−2
Gas Oil	122-125	+2
Heavy fuel oil	73-75	−1
Naphtha	124-126	—

Crude oil trading volume was minimal with price levels a little firmer. January WTI opened 20c up on Nymex and traded 15c up at 1.30 pm EST after thin morning trade. In the petroleum products market all periods of gas oil rose on rumours, denied by an Iranian national oil official, that Iran has cancelled tanker nominations. Fuel oil was slightly weaker. Gasoline fell on ample availabilities. Naphtha was quiet to firm on the back of forward periods—Petroleum Argus, London.

*January. Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'rdy's close	+ or −	Business Done
	US $ per tonne		
Dec	124.75	+2.50	126.50-25.00
Jan	126.75	+2.50	131.00-27.50
Feb	130.75	+1.75	132.50-30.00
Mar	128.25	+2.50	130.50
Apr	123.50	+1.50	126.25-25.50
May	121.00	+0.75	—

Turnover: 4,221 (5,808) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close	+ or −	Business Done
	US $ per tonne		
Dec.	73.00	+3.50	—
Jan.	76.90	+3.50	76.00
Feb.	78.50	+3.50	—

Turnover: 6 (72) lots of 100 tonnes.

US MARKETS

IN A generally lacklustre day ahead of today's Thanksgiving day holiday, crude oil promised to provide much of the interest, with prices quoted upon nervous European spot markets following unconfirmed reports of an Iranian force majeure declaration, reports Heinold. The leading January position advanced at one point to a high of $15.24 per barrel to post gains of 29 cents. However, the lack of confirmation and general book-squaring ahead of what is for the New York Mercantile exchange an extra long holiday weekend enthusiasm and prices settled only 6 cents higher at $15.04, although some chartists were happy that the market had maintained the important $15 level. Book-squaring was also cited as the principal factor in a dull precious metals market, where December gold values slipped $2.5 on the day. The mixed trade balance figures, which many traders had foreseen as a potential market-mover, in fact only added to the neutral stance adopted by many market participants.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	48.25	48.55	48.25	48.40
Jan	48.70	—	—	48.80
March	49.35	—	49.55	49.45
May	49.80	—	—	49.90
July	50.15	50.50	50.50	50.25
Sept	50.35	—	—	50.45
Dec	50.45	—	—	50.55
Jan	50.65	—	—	50.75
March	50.75	—	—	50.85

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1847	1852	1831	1840
March	1886	1899	1876	1895
May	1921	1930	1919	1920
July	1940	1947	1940	1943
Sept	1963	1967	1963	1961
Dec	1988	—	—	1985
March	2010	—	—	2006

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	148.04	—	—	149.75
March	150.85	151.90	149.75	151.11
May	151.25	152.50	150.50	152.29
July	152.75	153.00	151.50	153.25
Sept	153.00	154.00	153.00	154.00
Dec	154.00	154.00	154.00	154.87

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Dec	59.85	59.90	59.00	59.10
Jan	59.85	59.40	59.40	59.30
March	60.45	60.50	49.70	59.85
May	61.00	61.10	60.40	60.45
July	61.45	61.45	60.90	60.90
Sept	61.75	61.80	61.25	61.20
Dec	62.30	62.40	61.75	61.70
Jan	62.50	—	—	61.90
March	62.85	—	—	62.25

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	50.30	51.00	49.30	49.53
March	50.85	50.90	50.40	50.28
May	50.96	51.00	50.50	50.40
July	51.17	51.45	50.50	50.38
Oct	52.50	52.50	51.57	51.53
Dec	53.00	53.00	52.10	52.00
March	53.20	52.80	52.80	52.20
May	53.60	—	—	52.45

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Jan	14.99	15.24	14.98	14.95
Feb	15.08	15.33	15.08	15.04
March	15.10	15.30	15.10	15.04
April	15.13	15.28	15.13	15.03
May	15.07	15.22	15.07	15.02
June	15.15	15.23	15.15	15.01
July	15.20	15.15	15.75	15.00
August	15.25	—	—	15.00
Sept	15.25	—	—	—

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	383.1	384.5	380.3	385.6
Jan	385.3	384.0	384.0	387.8
Feb	387.1	388.5	384.4	389.6
April	390.2	391.5	387.5	392.7
June	393.4	394.9	390.7	395.9
August	396.6	397.5	394.6	399.1
Oct	399.7	—	—	402.2
Dec	403.1	404.0	400.5	405.6
Feb	406.8	406.0	404.0	409.3
June	414.5	415.0	414.0	417.0

SPOT PRICES—Chicago loose lard 13.50 (same) cents per pound. Handy and Harman silver bullion 524.0 (527.5) cents per troy ounce.

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Dec	41.80	43.80	41.70	42.72
Jan	43.00	44.35	43.00	43.79
Feb	43.50	44.80	43.50	42.62
March	42.70	43.50	42.70	42.08
April	41.80	42.25	41.80	41.89
May	40.80	41.15	40.80	40.37
June	40.30	40.75	40.30	40.80
July	40.25	—	—	39.50
August	—	—	—	40.70
Sept	43.50	43.50	42.90	42.25

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	123.15	124.00	122.60	123.30
March	123.70	124.50	123.15	123.45
May	123.65	123.50	123.00	123.30
July	123.20	123.75	123.25	122.78
Sept	122.15	123.10	123.00	122.76
Jan	123.05	123.00	123.00	122.80

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	462.5	473.5	471.5	472.2
Jan	478.5	479.2	473.0	475.2
April	482.0	483.5	477.0	479.2
July	485.9	485.9	481.5	482.1
Jan	494.5	—	—	492.1

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Dec	527.1	534.0	524.8	530.5
Jan	529.9	529.8	529.6	533.5
March	535.5	542.5	532.5	538.8
May	540.6	546.5	537.0	543.8
July	545.9	551.5	543.0	549.1
Sept	551.3	556.0	552.5	554.4
Dec	559.7	567.0	557.0	563.1
Jan	562.7	—	—	566.1
March	568.6	574.0	567.9	572.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	6.08	6.10	5.95	6.08
March	6.60	6.63	6.54	6.69
May	6.72	6.75	6.70	6.75
July	6.84	6.94	6.82	6.89
Sept	6.91	—	—	6.97
Oct	7.03	7.06	7.02	7.05
Jan	7.16	—	—	7.18

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	61.82	61.90	61.47	61.66
Feb	58.95	59.00	58.55	58.57
April	58.47	58.65	58.25	58.50
June	57.12	57.35	57.05	57.27
Aug	56.00	56.05	55.70	55.96

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Dec	54.90	55.00	54.52	54.65
Feb	52.05	52.35	51.75	52.15
April	46.45	46.75	46.15	45.67
June	48.25	48.35	47.90	48.30
July	47.70	48.39	47.78	47.99
Aug	45.56	45.55	45.30	45.50
Oct	41.75	42.00	41.75	41.85
Dec	42.15	42.45	41.95	42.10

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
Dec	167.2	167.2	165.0	166.0
March	177.6	178.0	175.8	175.6
May	183.2	183.6	181.4	181.4
July	185.6	186.2	184.2	184.0
Sept	187.4	188.6	187.4	187.2
Dec	191.0	191.6	190.2	190.4
March	198.2	199.0	198.9	198.2

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	72.07	73.05	71.60	72.37
March	70.85	71.95	70.60	71.20
May	70.52	71.35	70.35	70.87
July	66.60	68.80	68.70	68.20
Aug	66.45	67.10	66.20	67.30

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Jan	503.0	503.0	498.0	497.6
March	506.6	507.0	501.4	501.4
May	509.4	509.4	504.6	504.6
July	510.6	511.2	507.4	507.4
Aug	508.6	508.4	508.0	505.0
Sept	499.0	501.4	489.0	496.4
Nov	500.4	501.0	496.0	498.2
Jan	506.4	—	—	506.4

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Dec	149.4	149.6	149.1	149.3
Jan	149.1	149.4	148.8	148.9
March	149.0	149.4	148.6	148.2
May	149.0	149.5	149.0	149.1
July	149.2	149.7	149.0	149.7
Aug	149.0	149.6	149.0	148.8
Sept	149.0	149.6	149.0	149.2
Oct	149.0	149.0	148.5	148.6
Dec	150.0	150.0	150.0	149.6

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Dec	15.27	15.32	14.83	14.88
Jan	15.43	15.46	15.05	15.02
March	15.73	14.75	15.35	15.32
May	15.95	15.95	15.60	15.55
July	16.12	16.15	15.72	15.72
Aug	16.12	16.15	15.85	15.83
Sept	16.92	16.10	15.83	15.71
Oct	16.05	16.05	15.88	15.71
Dec	16.05	16.12	16.05	15.76
Jan	16.05	16.00	16.10	15.76

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Dec	286.6	287.0	179.0	280¼
March	282.0	282.0	274.4	273.8
May	263.4	266.0	258.2	257.8
July	249.4	249.6	246.4	246.6
Sept	249.4	—	—	246.4
Dec	252.2	252.4	252.0	252.0

SUGAR

LONDON DAILY PRICE—Raw sugar $148.00 (£103.50), down 50c (down £1.50) a tonne for Dec-Jan delivery. White sugar $179.50, up 50c.

No. 6 Contract	Yest'rdy close	Previous close	Business done
	$ per tonne		
Dec	154.0-155.0	155.8-154.8	155.8-154.8
Mar	148.4	147.4-147.8	148.4-147.2
May	151.0-151.4	158.2-158.4	151.4-150.8
Aug	154.4-154.8	155.8-154.8	154.4-154.2
Oct	157.4-157.6	156.8-157.4	157.4-155.8
Dec	159.0-161.0	159.8-161.4	—
Mar	170.5-170.8	169.8-170.0	—

Sales: 1,041 (1,584) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £208.50 (£208.00) a tonne for export.

PARIS—(FFr per tonne): March 1192-1195, May 1217-1225, Aug 1252-1265, Oct 1287-1295, Dec 1325-1339, March 1370-1380.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for November 25: Daily price 5.76 (5.81); 15-day average 5.95 (5.98).

FREIGHT FUTURES

Substantial falls were seen as the market continued to weaken against the background of lower physical rates. Short-covering towards the close produced a partial recovery, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Jan.	690/693	697/688	702/704
April	723/725	725/715	730.5/731
July	621/625	625/620	633/635
Oct.	719/728	728/718	731/732
Jan.	720/722	720	725/729
Apr.	800/815	—	800/820
July	680/685	—	690/705
Oct.	780/820	—	800/850
BFI.	749.5	—	757.5

Turnover: 566 (420).

	Close	High/Low	Prev.
Tankers			
Nov.	870/940	—	880/970
Dec.	900	940	950/970
Jan.	—	—	—
Mar.	—	—	—
BTI.	933.5	—	942.5

Turnover: 1 (nil).

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Trade figures have no impact

THE DOLLAR had a mixed day, improving against the yen, holding steady against the Swiss franc, but losing ground to the D-Mark, sterling and most other European currencies. President Ronald Reagan's problems over Iranian arms sales tended to undermine confidence in the dollar, while the US trade figures proved inconclusive as far as the market was concerned. Trading was thin ahead of today's Thanksgiving holiday in the US.

The October US trade deficit narrowed to \$12.06bn, and was lower than most forecasts, but the September deficit was revised up to \$14.74bn from \$12.56bn, and the impact on the dollar was muted.

The dollar fell to DM 1.9895 from DM 1.9935 and to FFr 6.52 from FFr 6.5275; but was unchanged at SFr 1.6585 and rose to Y162.95 from Y162.50.

On Bank of England figures the dollar's index fell to 110.5 from 110.6.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3700. October average 1.4278. Exchange rate index rose 0.3 to 68.2, compared with 75.8 six months ago.

Sterling was generally firm throughout, rising above \$1.43, and also improving against other major currencies. An escalation in the Gulf War, involving an Iranian missile attack on Baghdad, an air raid by Iraq on an Iranian oil terminal, and another air strike on an oil platform belonging to the United Arab Emirates, led to a rise in North Sea oil prices. The pound benefited from higher oil prices, gaining 95 points to \$1.4315-1.4325 and rising to DM 2.85 from DM 2.8350; to SFr 2.3750 from SFr 2.36; to FFr 9.3375 from FFr 9.2850; and to Y233.25 from Y231.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9740. October average 2.0038. Exchange rate index 143.5 against 133.8 six months ago.

The D-Mark remained strong against the dollar. The US currency was fixed in Frankfurt at DM 1.9881, compared with DM 2.0088 previously. The Bundesbank did not intervene. There was little reaction to news the cost of living in West Germany fell at an annualised rate of 1.1 per cent in November, with attention turned to the US economic and political scene and particularly the trade deficit. Reactions to the deficit were muted, as the October shortfall narrowed, but the September figure was revised upwards. The level of DM 1.98 is regarded as a strong support level for the dollar, but if it breaks through the US currency could quickly fall to DM 1.95, unless the Bundesbank steps in. The dollar closed at DM 1.9860 in Frankfurt compared with DM 1.9945 on Tuesday.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. October average 156.36. Exchange rate index 204.3 against 204.1 six months ago.

The yen rose against the dollar in Tokyo, but finished below the New York close, indicating the reluctance of dealers to push the dollar lower against the yen for fear of central bank intervention and on indications that the Japanese economy has been hurt by the rise of the yen over the last year or so. Figures released yesterday showed that Japan's preliminary industrial production index fell 1.9 per cent to 120.8 in October. The Ministry of International Trade and Industry expects a fall of 0.3 per cent in November, but a rebound of about 3 per cent in December. The dollar's undertone was bearish after the sharp fall in October US durable goods orders and the political problems of the Reagan Administration, but dealers generally squared positions ahead of the US trade figures, on forecasts of a \$13bn to \$15bn deficit. The dollar closed at Y162.50 in Tokyo, compared with Y163.90 on Tuesday and Y162.05 overnight in New York.

£ IN NEW YORK

Nov 26	Latest	Previous Close
£ Spot	1.4290-1.4300	1.4260-1.4270
1 month	0.56-0.53 pm	0.63-0.62 pm
3 months	1.79-1.74 pm	1.81-1.78 pm
12 months	6.35-6.25 pm	6.80-6.70 pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2418	+0.31	+1.09	± 1.5368
Danish Krone	7.81701	7.85614	+0.50	+1.28	± 1.6403
German D-Mark	2.11083	2.07978	−1.47	−0.69	± 1.1127
French Franc	6.87316	6.81127	−0.90	−0.12	± 1.3659
Dutch Guilder	2.37833	2.35005	−1.19	−0.41	± 1.5059
Irish Punt	0.764976	0.764309	−0.09	+0.68	± 1.6683
Italian Lira	1476.95	1442.39	−2.34	−1.88	± 4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Nov. 26	Day's spread
US	1.4245-1.4340
Canada	1.9754-1.9840
Netherlands	3.20¼-3.22½
Belgium	58.75-59.25
Denmark	10.70¾-10.75¾
Ireland	1.0395-1.0495
W. Germany	2.83¾-2.85½
Portugal	211.20-213.64

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

FINANCIAL FUTURES

US bonds weaker

US TREASURY bond futures finished lower in comparison to Tuesday's closing levels in the London International Financial Futures Exchange yesterday but showed little change from opening levels. Values were marked down at the start, reflecting an overnight sell off in Chicago. Trading patterns were not easily defined however due to the closure of US centres today. US trade figures for October were slightly better than expected and this prompted a very muted reaction because of the upward revision to September's deficit.

The December price opened at 99-07 down from 99-25 on Tuesday and touched a high of 99-09. However the absence of any follow through encouraged sellers back into the market and a low of 98-21 was touched. Once again however there was no firm trend established and the price came back to finish at 99-06.

Three-month Euro-dollar deposits for March delivery attracted a bulk of the volume and after opening at 94.09 down from 94.15, the price attracted some selling down to 94.07 before rallying briefly on the trade figures to a high of 94.10. It closed at 94.09.

Gilt futures were influenced by the weaker US bond market overnight and dismissed sterling's better performance as more a reflection of dollar weakness. After opening at 106-30 down from 107-02, the December contract was sold down to a low of 106-23 where it steadied as US bonds stabilised. It was only in the last half an hour of trading that prices rallied to a high of 107-10 before closing at 107-09. Despite the apparent lack of direction, trading volume in this sector remained good with over 20,000 lots traded.

Three-month sterling deposits traded in a narrow range in very subdued trading. Activity was switching to the March contract where most of the day's business was seen.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EURODOLLAR OPTIONS

LONDON

CHICAGO

SWISS FRANC (IMM) SFr125,000 \$ per SFr

	Latest	High	Low	Prev.
Dec.	0.6050	0.6067	0.6021	0.6058
Mar.	0.6076	0.6092	0.6047	0.6084
June	0.6106	0.6118	0.6080	0.6112
Sept.	0.6143	0.6143	0.6143	0.6144

STANDARD & POORS 500 INDEX \$500 times index

	Latest	High	Low	Prev.
Dec.	249.40	249.75	248.75	249.40
March	249.85	250.25	249.25	249.75
June	250.60	251.00	249.95	250.50

CURRENCY FUTURES

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 22,227

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%
Beneficial Trust Ltd	12	Heritable & Gen. Tst.	11
Berliner Bank AG	11	● Hill Samuel	§11
Brit. Bk. of Mid. East	11	C. Hoare & Co	11
● Brown Shipley	11	Hongkong & Shangh'	11
CL Bank Nederland	11	Knowsley & Co. Ltd	11½
Canada Permanent	11	Lloyds Bank	11
Cayzer Ltd	11	Mase Westpac Ltd.	11
Cedar Holdings	12	Meghraj & Sons Ltd	11
● Charterhouse Bank	11	Midland Bank	11

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%, 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¾% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

MONEY MARKETS

Rates steady in quiet trading

TRADING IN the London money market was rather subdued yesterday and interest rates were little changed from Tuesday in a market lacking any fresh incentives. Sterling finished towards the best level of the day which removed any upward pressure on rates. With US trade figures provoking little reaction and US centres closed today.

UK clearing bank base lending rate 11 per cent since October 15

dealers saw little chance of much movement for the rest of the week.

Three-month interbank money was quoted at 11⅛-11⅛ per cent compared with 11⅛-11¼ per cent on Tuesday while six and 12-month money rates were both unchanged at 11⅛-11⅞ per cent. Overnight money opened at 10¼-10⅛ per cent and rose to 10⅝-10⅞ per cent during the morning before slipping away in mid afternoon to 10¼-10⅛ per cent. However a shortfall in the Bank of England's assistance pushed rates up to around 11¼ per cent.

The Bank of England forecast a shortage of around £300m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £342m and a rise in the note circulation of £140m. These were partly offset by Exchequer transactions which added £165m and banks' balances brought forward £20m above target. The Bank gave help in the morning of £65m through outright purchases of eligible bank bills, £1m in band 1 at 10⅞ per cent, £35m in band 2 at 10⅞ per cent, £3m in band 3 at 10¾ per cent and £26m in band 4 at 10⅝ per cent.

The Bank gave additional assistance in the afternoon of £197m through outright purchases of £132m of eligible bank bills in band 1 at 10⅞ per cent, £13m in band 2 at 10⅞ per cent, £37m in band 3 at 10¾ per cent and £15m in band 4 at 10⅝ per cent. Total help came to £262m.

In Frankfurt call money eased to 4.25-4.35 per cent from 4.30-4.40 per cent as Tuesday's strain on liquidity was countered by payment into banks of salary bonuses. However continued disbursements through pension payments meant that commercial banks would still have to work hard to meet month-end minimum reserve requirements with the Bundesbank.

In Paris the Bank of France announced its intention to offer FFr 5bn of Treasury bills at the next auction to take place on December 1. The amount on offer will comprise equal amounts of 13- and 26-week bills. Bids at the latest auction totalled FFr 14.5bn for the FFr 4.9bn sold.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102$\frac{25}{32}$	100$\frac{1}{2}$	Exch. 13¼pc 1987	100¼	.....	13.22	10.79
100¼	97$\frac{3}{4}$	Treas 10¼pcCv '87	99$\frac{31}{32}$	.....	10.29	11.40
98$\frac{7}{32}$	92$\frac{3}{4}$	Exch 2½pc 1987	98$\frac{1}{4}$	−$\frac{1}{16}$	2.54	8.42
101¼	97½	Exch. 10½pc 1987	99$\frac{13}{16}$	.....	10.53	11.19
98¾	93¾	Funding 6½pc 85-87	98$\frac{1}{16}$	.....	6.99	9.74
101¼	96$\frac{13}{16}$	Treas. 10pc 1987	99¼xd	.....	10.06	11.18
97$\frac{1}{16}$	90⅞	Treas 3pc 1987	96¼	−$\frac{1}{16}$	3.10	8.39
104½	99¾	Treas. 12pc 1987	100$\frac{21}{32}$	+$\frac{1}{16}$	11.92	11.17
99¼	92$\frac{11}{16}$	Treas 7¾pc 1985-88‡‡	97	−⅛	7.99	10.48
104	96¼	Exch 10½pc '88	99$\frac{1}{16}$	+$\frac{1}{32}$	10.60	11.23
102⅝	95¼	Treas 9¾pc Cv '88	97$\frac{11}{16}$xd	+$\frac{1}{32}$	9.96	11.27
94¼	86¾	Transport 3pc '78-88	92$\frac{5}{16}$xd	−⅛	3.24	8.05
102½	93$\frac{15}{16}$	Treas. 9½pc '88	96$\frac{3}{8}$	+$\frac{1}{16}$	9.80	11.30
107$\frac{3}{8}$	98$\frac{1}{4}$	Treas 11½pc 1989	100$\frac{5}{8}$	+$\frac{1}{8}$	11.48	11.35
103½	93¼	Treas 9½pc Cnv 1989	96$\frac{3}{32}$	+$\frac{1}{8}$	9.87	11.33
92¼	82$\frac{3}{4}$	Treas 3pc 1989	88$\frac{3}{4}$	−$\frac{1}{4}$	3.38	8.17
105$\frac{7}{16}$	95$\frac{5}{16}$	Treas 10¼pc 1989	98$\frac{1}{16}$xd	+$\frac{1}{8}$	10.69	11.34
104$\frac{5}{8}$	94¼	Exch. 10pc 1989	96$\frac{27}{32}$	+$\frac{1}{8}$	10.33	11.37
107$\frac{1}{8}$	97	Exch 11pc 1989	99$\frac{3}{16}$	+$\frac{1}{8}$	11.09	11.32
93$\frac{3}{4}$	84½	Treas 5pc 1986-89	89	.....	5.62	9.44
110$\frac{3}{8}$	96$\frac{3}{4}$	Exch 10¼pcCv '89	99½	+$\frac{1}{8}$	10.30	10.44
114$\frac{3}{8}$	103$\frac{3}{8}$	Treas 13pc 1990‡‡	104¼	+$\frac{1}{8}$	12.47	11.31
108¼	97¼	Exch 11pc 1990‡‡	99$\frac{3}{16}$	+$\frac{1}{8}$	11.09	11.26
113¼	101$\frac{11}{16}$	Exch. 12½pc 1990	103$\frac{3}{16}$	+$\frac{1}{8}$	12.11	11.31
89¼	79¾	Treas. 3pc 1990	84	.....	3.57	8.45
100$\frac{3}{8}$	89¼	Treas 8¼pc 1987-90‡‡	93$\frac{1}{8}$xd	.....	8.84	10.57
106$\frac{1}{4}$	93	Treas. 10pcCv 1990	96	+$\frac{1}{8}$	10.42	11.28
86$\frac{1}{4}$	76½	Exch 2½pc 1990	80⅝	.....	3.10	8.31
112$\frac{3}{4}$	99$\frac{1}{4}$	Treas 11¾pc 1991	101$\frac{3}{16}$	+$\frac{1}{8}$	11.61	11.35
94¼	83$\frac{1}{4}$	Funding 5¾pc '87-91‡‡	86$\frac{11}{16}$	−$\frac{1}{8}$	6.63	9.56
86¼	79$\frac{3}{4}$	Treas. 3pc 1991♦	79$\frac{3}{4}$	−$\frac{1}{8}$	3.76	8.54
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

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Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

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Hire Purchase, Leasing, etc.

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BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
102	70	♦Metsec 10p	78	+2	—	—	—	—
78½	45	Mitchell Cotts	60½	+2	L2.46	2.6	4.4	12.0
126	81	♦Modo & Crane 10p	126	.....	1.5	2.1	3.5	15.6
325	210	Morgan Crucible	316	.....	L2.7	2.9	3.0	15.4
23½	15½	♦Morris (W) F.A. 20p	16	.....	†8.5	1.5	3.8	21.0
157	65	Myson Grp 10p	154	+2	—	—	—	—
345	230	♦NMW Computers	230	.....	†2.63	2.6	2.4	19.9
96	27	Nash Inds	96	+3	16.0	3.0	3.7	13.2
*27½	12½	Neil & Spencer 10p	13½	+½	†0.5	—	0.7	—
39	28	Newman Inds 10p	36	.....	—	—	—	—
134	65	Noble & Lund 10p	88	.....	10.8	1.5	3.1	27.9
65	39	Noltne	50xd	+1	0.7	4.3	1.1	29.0
150	96	♦Norank Systems 5p	137	.....	1.2	♦	3.4	♦
286	187	Norcros	248	+1	♦1.5	—	1.5	37.6
195	49	Nu-Swift 5p	195	.....	9.3	2.2	5.3	11.9
£356½	£228	OCE 9pc Cnv 1987-92	£321½	+1	†3.5	2.1	2.6	26.0
118	80	Oakwood Grp	90	.....	Q9%	—	†2.8	—
250	175	Office & Elect	176	+1	‡5.0	1.3	‡	12.5
94	26	♦Omnitech 1p	31	.....	8.5	2.9	6.8	7.2
36	18	♦Optometrics $0.01	20	.....	—	—	—	—
890	500	Oriflame £1	860	−5	—	—	—	—
10	5	Ovenstone 12½c	7½	.....	†24.5	2.1	4.0	16.7
142	85	♦PCT Grp 10p	123	.....	♦Q0.25c	1.9	14.3	3.7
£20½	£13¾	PLM 'B' Sk 25	£17⅞	−¼	Q5.2	—	5.8	—
195	114	PSM Intl	195	+2	Q23.2%	0.3	3.4	—
255	160	♦Pacer Systems $0.01	175	.....	♦Q5.5	2.1	4.0	14.6
78	48	♦Pacific Sales 10p	50	+2	LQ3.84c	3.4	1.5	19.5
445	246	Parker Knoll 'A'	419	.....	3.0	1.4	8.5	11.9
222	83	♦Parkfield Group 2p	208	.....	12.0	3.2	4.0	11.0
53	17	♦Parion Intl	23	.....	3.6	4.2	2.5	12.7
£130	£64½	Do 11pc CvLn '94-02	£74½	.....	—	—	—	6.1
608	393	Pearson	574	+9	Q11%	—	15.1	—
50	12	Peek Holdings 3p	42	+½	†10.0	2.8	2.5	18.7
153	88	Peerless	148	+2	—	—	—	—
519	141½	Pentland 10p	470	+30	6.3	1.5	6.0	13.9
£14	775	Photo-Me	£13½	.....	†10.75	22.4	0.2	26.6
624	315	Pilkington Br. £1	607	.....	5.75	10.0	0.6	20.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	†13.5	2.7	3.1	13.1

LEISURE—Continued

1986 High	Low	Stock	Price	+ or −
117	91	♦Lewmar	91	−1
90	71	♦Marina Dev. 50p	75	.....
220	125	♦Media Tech Int 20p	123	.....
*170	130	Medminster 10p	155xd	.....
220	130	♦Miles World 10p	185	.....
90	62	Nationwide Leisure	66½	−½
17	8	♦Nimslo Int 20c	12	.....
294	134	Orient Ex Hlds $0.125	148	−1
40¼	23	♦Owners Abroad 3p	42	.....
90	46	Photax (Lon.)	71	.....
34	25½	♦P'dilly Radio NV 5p	31	+2
76	29½	♦Pineapple 10p	72	.....
391	280	Pleasurama 5p	390	+5
178	136	Do. 7pcCvCumRedPf	153	+2
157	94	Prestwich	106	+2
43	18	♦Radio City 'A' NV	37	.....
98	33	♦Radio Clyde NV	93	+5
403	322	Really Useful Grp 5p	381	−2
64	36½	Riley Leisure 10p	37	.....
230	129	Saga Hols. 20p	164	.....
355	148	Samuelson Grp 20p	153	−2
123	79	♦Sangers Photo 10p	76	−4
178	93	Scaaro 20p	96	.....
363	175	Scott. TV 10p	363	.....
27	7	♦SelecTV 10p	16	.....
37	20	♦Spectrum 5p	26	+1
165	119	Stanley Leisure	165	+5
49¾	31	TSW 5p	48½	.....
226	137	♦TV-am 10p	230	+4
*279	144	TVS N/Vtg 10p	258	−1
188	75	♦Television Svcs 50p	75	.....
340	219	Thames TV	301xd	+4
74	50	Tottenham Hotspur	66	.....
96	60	♦Trillion 10p	80	−2
260	140	♦Tyne Tees TV 'A' £1	248	.....
151	104	Ulster TV NV 'A'	149	.....
[illegible]	[illegible]	[illegible]	58	−2

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

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TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 40
(International Edition Page 36)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Portfolio switch boosts blue chip equities while Government bonds trade quietly

UK stock markets laid aside their worries over oil prices and interest rates yesterday, when portfolio switching by some major institutional investors sent the blue chip industrials sharply higher. [illegible]

FINANCIAL TIMES STOCK INDICES

	Nov. 26	Nov. 25	Nov. 24	Nov. 21	Nov. 20	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	81.08	81.11	81.32	81.00	80.48	83.93	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.34	88.29	88.42	88.15	88.04	89.35	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,286.3	1,270.4	1,282.6	1,274.2	1,259.8	1,138.9	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	299.7	295.2	291.7	311.5	309.1	299.0	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.44	4.48	4.43	4.46	4.50	4.30				
Earnings Yld.%(full)	10.28	10.36	10.26	10.33	10.43	10.70				
P/E Ratio (net) (*)	11.88	11.81	11.91	11.83	11.73	11.52				
SEAQ Bargains (5pm)	25,721	25,600	27,792	34,762	27,162	—				
Equity Turnover (£m)	—	983.16	954.89	1243.87	717.635	583.24				
Equity Bargains	—	37,536	36,762	43,848	35,687	27,868				
Shares Traded (ml)	—	370.3	422.7	500.3	408.4	280.7				

S.E. ACTIVITY

Indices	Nov. 25	Nov. 24
Gilt Edged Bargains	145.9	141.6
Equity Bargains	243.2	238.2
Equity Value	1987.2	1930.1
5-Day Average		
Gilt Edged Bargains	148.9	145.5
Equity Bargains	246.6	247.7
Equity Value	2141.0	2113.1

♥ Opening 1272.6 | 10 a.m. 1273.7 | 11 a.m. 1279.1 | Noon 1280.9 | 1 p.m. 1282.2 | 2 p.m. 1283.7 | 3 p.m. 1285.1 | 4 p.m. 1286.4

Day's High 1286.5. Day's Low 1272.6.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.41.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

short supply. Leading retailers made good progress on hopes of a bumper Christmas spending spree. **Harris Queensway** revived strongly at 222p, up 10. **Dixons** added 8 at 327p, and **Next** put on 4 at 228p.

Firmer conditions returned to the major Electricals. Around 10m **British Telecom** shares changed hands yesterday as investors showed an increased interest ahead of the interim figures scheduled for December 11 and the close was 4 higher at 198p. **GEC** put on 5 at 186p and **Racal** appreciated 4 at 171p, while **Plessey** gained 3 at 170p. Publicity given to a Savory Miln circular left **STC** 3 dearer at 163p.

Firmer and more active conditions prevailed in the Engineering leaders. **GKN** (3.6m) advanced 8 to 272p and **Hawker** (1.8m) rose strongly to close 17 to the good at 435p. Elsewhere, dealings in **Hebson** were temporarily suspended at 41½p; the company announced yesterday a proposal to acquire The Bannacourt Group and a placing of new ordinary shares at 36p per share. **Mitchell Somers** advanced 9 to 129p on revived speculative interest, while Press mention left **Hill and Smith** 4 to the good at 115p. **Simon**, currently the subject of a bid from Valuedale, closed unaltered at 330p following the acquisition of Colin G. R. Booth (Holdings); Booth's principal activity is the provison of road haulage and warehousing for bulk materials. **Stothert and Pitt**, still reflecting last week's announcement of a £6.3m loss over 15 months, weakened afresh and closed 12 lower at 60p. **Hall Engineering**, in contrast, firmed 4 to 234p on the announcement that Regentcrest and associates now own a 9.06 per cent stake in the company.

The Food sector displayed several noteworthy movements. Bid speculation continued to boost **Ranks Hovis McDougall**, up 7½ more at 287p, while **Rowntree Mackintosh** revived with a gain of 12 at 422p and **Cadbury Schweppes** picked up 2½ at 179p. Responding to late investment demand, **Associated British Foods** rose 13 to 330p, while **Unigate**, reflecting a broker's recommendation, hardened a couple of pence to 307p. Buyers also returned for **Hazlewood Foods** which moved up 7 to 155p, and **Hillsdown**, 4 to the good at 211p, the latter on talk of a broker's recommendation. **Bassett** firmed 4 to 195p in reply to the good interim results, while in the Retailing sector, **Kwik Save** improved 2 to 255p following annual profits at the top of the range and a better-than-expected dividend.

Hotels were highlighted by **Trusthouse Forte** which bounded ahead in active trading to close 7½ higher at 179p on speculative buying fuelled by vague rumours of a bid from Ladbroke.

Boots active

A considerably more active trading session developed in selected miscellaneous industrial leaders. **Boots** were briskly traded (9.3m) before settling 6 to the good at 232p, while interest revived in **Hanson Trust** (9.6m) which closed 2 dearer at 200p; the latter is due to reveal preliminary figures next Thursday. **BTR**, currently bidding 545p per share for Pilkington, hardened 2 to 280p in a volume of 5.1m shares. **Glaxo** revived with a rise of 9 to 905p; Greenwell Montagu continue to rate the shares as a buy in a recent circular. Elsewhere, **Wellcome** moved up 11 to 216p on hopes of US approval for its anti-AIDS drug AZT. Still reflecting the interim figures, **Powell Duffryn** put on 6 further to 300p. Renewed demand lifted **Diploma** 10 further to 203p, while **Pentland Industries** came to life with a rise of 30 at 470p. **British Aerospace** were a relatively lively market (1.3m) and closed 9 to the good at 500p. **Siebe** edged up 2 further to 750p, while **Rank Organisation** continued to make progress at 513p, up 15. **Continuous Stationery** hardened a penny in reply to the interim figures.

Confirmation of the increased cash alternative part of the **Hollis** bid for **AE** lifted the latter's shares 5 to 281p. Hollis discounted a press article suggesting that shareholders totalling some 45 per cent would accept the new terms. The company stressed that no specific figure had been announced by itself or AE. Views that rival bidder **Turner and Newall** had lost the battle helped raise Turner's price 5 to 182p. Elsewhere, **Lucas Industries** edged 4 higher to 461p and **Frank G. Gates** picked up 7 more to 114p.

Sudden demand for Robert Maxwell's **BPCC** caught marketmakers unawares and at the close was 10 up at 251p. **Eucalyptus Pulp** continued to find favour and rose 32 more to 860p, while USM-listed **Broad Street** hardened to 49p on news that negotiations were at an advanced stage for an acquisition and disposal of engineering subsidiary Stanelco.

Annual profits much in line with market estimates failed to sustain **MEPC** which slipped back after the announcement to close 9 lower at 337p. **Land Securities** softened 2 to 335p, but **British Land** revived on take-over hopes and rose 4 to 189p. Elsewhere, **Phoenix Property** attracted further buying interest and added 3 to 92p, while **Trafford Park Estates** firmed 8 to 246p awaiting news from the annual meeting. **Bradford Property** were a firm market at 462, up 7, while **Hambro Countrywide** gained 5 at 305p.

Courtaulds' impressive first-half results, profits rose nearly 40 per cent and easily exceeded best expectations, led to analysts hastily revising higher their forecasts for the full year outcome. Don Anderson of Vivian Gray plump for £190m, up from £170m, but Scrimgeour Vickers, a unit of Citicorp, is slightly less optimistic and opts for £185m. Trade in the stock reached high proportions, volume finally totalling 9.6m shares, and the price advanced to 230p before easing to close a net 8 up at 325p.

Capital shares went higher with the equity leaders and several registered good gains. Among Financial Trusts, **NMC Investments** reacted further to 196p before rallying late to end a net 3 higher on balance at 203p; Charles and Maurice Saatchi bought more NMC shares and when aggregated with those owned by Norman Gordon amount to 43.69 per cent of the company.

Burmah firm

A good performance by crude oil prices, some 30 to 40 cents higher during the afternoon, underpinned the oil majors which on Tuesday had wilted on oil price uncertainties. **British Petroleum** were finally a couple of pence off on the day at 687p having moved narrowly throughout the session. **Shell** settled a few pence cheaper at 946p, but **Britoil**, after an active trade, closed a penny dearer at 154½p. **Burmah** were a good market at 346p, up 7½, on talk of a broker's recommendation. **Ultramar** hardened a penny to 155p. Elsewhere, **Century** continued to lose ground in the wake of the disappointing interim results and shed 4 more to 122p, while profit-taking clipped 10 from recent high-flyer **Conroy Petroleum** at 625p.

South African mining markets, although often finishing below best levels, still managed to extend Tuesday's tentative recovery. Quotations were initially marked higher following firm advices from Johannesburg, but later gave modest ground as investors in both London and the Continent appeared satisfied to maintain present positions. Dealers reported little appreciable interest from the US ahead of today's Thanksgiving Day holiday.

The slight downturn in bullion—the metal closed $2.5 off at $382.25 an ounce—was seen as an inhibiting factor on business. **Randfontein** ended 1⅜ lower at £59, but most marginal stocks retained modest gains with **Stilfontein** 22 up at 428p, and **Elandsrand** 14 dearer at 516p. Consequently, the FT Gold Mines index improved 4.5 more to 299.7.

South African Financials lacked a decided trend. **GFSA** improved 25 to 937p, but **Anglo American Corporation**, scheduled to reveal interim results today, eased a fraction to £10. Among the London-domiciled issues, **Consolidated Gold Fields** eased 3 to 671p amid sporadic profit-taking in the absence of news regarding Barrick Resources' interest in the company; Gold Fields also issued a statement refuting allegations made on Monday night's World In Action television programme as "extremely misleading and distorted in content and comment."

Australian mines closed higher reflecting brisk demand from US and Japanese institutions for overnight Sydney and Melbourne markets. Dealers reported minimal interest in London, however, but most stocks finished around the day's best levels. Among Golds, **Poseidon** advanced 12 for a two-day gain of 27 to 263p, while rises of [illegible] were common to **Emperor**, [illegible] and **Whim Creek**, 198p. Leading diversified counters were also favoured with **Renison** 7 up at [illegible] and **Western Mining** 6 to the good at 216.

Traded Options

Demand for Traded Options remained at a relatively high level with dealers reporting business well distributed throughout the list. **Hanson Trust**, the subject of considerable option activity in recent weeks, attracted another 3,304 calls and 1,741 puts. **Courtaulds** recorded 1,538 calls and 632 puts in the wake in the interim statement. Operators also displayed renewed interest in **Guinness** and **GKN** which contributed 1,060 and 1,707 calls respectively. Sizeable put activity was noted in **Beecham** and **TSB** with 1,038 and 1,808 trades transacted respectively. The FT-SE 100 accounted for 1,229 calls and 1,566 puts. Total contracts done yesterday amounted to 31,177.

Traditional Options

- **First dealings** Nov 17 Dec 1 Dec 15
- **Last dealings** Nov 28 Dec 12 Jan 2
- **Last declaration** Feb 19 Mar 5 Mar 19
- **For Settlement** Mar 2 Mar 16 Mar 30

For rate indications see end of Unit Trust Service

Call options were taken out in **Guinness Peat, Amstrad, [illegible] Brothers, Markheath, [illegible] Food, Camford Engineering, [illegible] Estates, Readicut, [illegible] Ferries, British Benzol, Sheraton Securities, United Spring [illegible] Steel, Hawtin, Audiotronic, Tricentrol, Blacks Leisure, Charles Baynes, S. W. Wood, [illegible] Diffusion, Kellock Trust, [illegible] Oil and Minerals, Argyle Trust, British and Commonwealth, [illegible] Energy and F. H. Tomkins.** A put was done in **Blacks Leisure**, while doubles were transacted in **Sheraton** and **British and Commonwealth**.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (116)

AMERICANS (1), BANKS (4), BREWERS (1), BUILDINGS (4), CHEMICALS (5), STORES (3), ELECTRICALS (3), ENGINEERING (5), FOODS (4), INDUSTRIALS (12), INSURANCE (1), LEISURE (3), MOTORS (3), NEWSPAPERS (1), PAPER (5), PROPERTY (8), TEXTILES (2), TOBACCOS (1), TRUSTS (44), OILS (1), OVERSEAS TRADERS (3), MINES (2).

NEW LOWS (13)

AMERICANS (2) Bethlehem Steel, Colt Inds, CHEMICALS (1) Morceau, STORES (2) Share Drug, Tip Top, ELECTRICALS (3) Norbain Elect, Northamber, P-E Intl, ENGINEERING (1) Stothert & Pitt, INDUSTRIALS (1) Huntleigh Tech, PROPERTY (1) Slough Estates 11¾pcDb 2019, TRUSTS (1) London Trust, OILS (1) Premier Resources.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

[illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

LONDON TRADED OPTIONS

[illegible]

RISES AND FALLS YESTERDAY

[illegible]

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

GERMANY

NORWAY

AUSTRALIA (continued)

JAPAN (continued)

BELGIUM/LUXEMBOURG

SPAIN

SWEDEN

HONG KONG

DENMARK

ITALY

SWITZERLAND

FINLAND

JAPAN

FRANCE

SINGAPORE

NETHERLAND

AUSTRALIA

SOUTH AFRICA

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Prices at 2.30pm November 26

WE REGRET that Canadian closing prices were not available for this edition due to communication problems.

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices November 25

Total Sales 3,878,573 shares

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Chesebrgh	5,250,400	61⅝	+12⅝	Fix Prog	2,344,800 xd	43	− ½
Ashtech	4,163,700	18¼	unch	ATT	2,063,200	27	unch
BSX CP	3,287,500	21⅛	+ 1⅛	Datapoint	1,899,700	7	− ⅜
Xerox	2,520,000	61⅝	+ 1	Lockheed	1,586,500	55¼	+2½
Texas Ut	2,394,400	33	− ⅝	Bliebs	1,482,400	48¼	+1¼

Advances 637 Declines 876

TORONTO	Nov 26	Nov 25	Nov 24	Nov 21	1986 High	1986 Low
Metals & Minis	2,882.4	2,090.5	2,108.8	2,088.83	2,442.85 (21/3)	1,817.4 (5/8)
Composite	3,025.1	3,025.0	3,020.1	3,021.38	3,129.11 (18/4)	2,754.9 (17/2)
MONTREAL Portfolio	1,533.74	1,533.7	1,540.0	1,534.31	1,623.33 (18/4)	1,386.8 (22/1)

* Indicated pre-close figure

	Nov. 26	Nov. 25	Nov. 24	Nov. 21	1986 High	1986 Low
SPAIN Madrid SE (30/12/85)	189.46	185.86	187.56	184.94	266.79 (8/10)	100.85 (8/1)
SWEDEN Jacobson & P (31/12/58)	2614.19	2500.24	2515.52	2542.02	2872.78 (7/11)	1729.57 (29/1)
SWITZERLAND SwissBankCpn (31/12/58)	583.7	586.2	587.1	578.7	625.5 (8/1)	497.2 (4/8)
WORLD M S. Capital Intl.(1/1/70)	—	545.8	543.2	540.2	580.8 (1/8)	249.8 (25/1)

** Saturday November 22: Japan Nikkei 17,648.2. TSE 1,448.87.

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 39

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES		
Ass B Foods	330	+13
BPB Inds	523	+17
Boots	232	+ 6
BPCC	251	+10
Brit Tel	198	+ 4
MK Electric	393	+14
Magnet & South	240	+25
Mercury Intl	428	+11
Meyer Intl	284	+15
Pentland Inds	470	+30
Poseidon	763	+12
Burmah Oil	348	+ 7½
Courtaulds	325	+ 8
Dixons	327	+ 8
Equity & Law	301	+ 6
Eucalyptus	860	+32
Gates (F G)	114	+ 7
Goldsmiths	258	+10
Guinness Peat	97	+ 8
Hawker Sidd	435	+17
RHM	287	+ 7½
Tozer Kemsley	170	+30
Trusthouse F	179	+ 7½
Turner & Newall	183	+ 6
Vaux	470	+25
Vict Carp	133	+ 5
FALLS		
Alphameric	230	−10
MEPC	338	− 8
Sekers Intl	109	− 5

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	15	AAR s	.44	1.8	18	101	23⅞	23¼	23⅞	+⅛
30	21¾	ADT	.92	3.5		208	26½	26⅛	26½	+⅜
33	15	AFG s	.12i	.4	14	677	28⅜	27½	28⅜	+⅜
25⅜	16¾	AGS			17	55	u25½	25¼	25⅜	+⅛
15	7¾	AMCA				1	7⅞	7⅞	7⅞	−⅛
62⅛	39⅛	AMR			14	1373	58⅜	57⅞	58⅜	−¼
27½	23¾	ANR pf	2.67	10.		2	25⅜	25⅜	25⅜	
24½	20⅛	ANR pf	2.12	8.8		9	u24¼	24	24	
16¾	10	ARX	.71t	6.5	10	147	11	10¾	11	
41½	28¾	ASA	2a	5.7		690	35⅞	34¾	35½	+¼
18⅝	9¾	AVX		2.6		180	12½	11⅞	12⅛	+⅜
32	25½	AZP	2.72	9.4	9	2435	29⅛	28¾	29	+⅛
55	30¼	AbtLb s	.84	1.8	2[illegible]	2571	48¼	47⅜	47½	−⅜
32	23⅝	AccoWd	.56	2.1	17	44	26⅞	26⅜	26¾	
14⅞	9	AcmeC	.40	3.8		25	10¾	10⅜	10½	−⅛
9¼	6¼	AcmeE	.32b	5.0	16	6	6⅜	6⅜	6⅜	
23⅞	17½	AdaEx	4.45e	22.		58	20⅝	20½	20½	−¼
33⅜	19⅛	AdmMl	.48	1.7	13	5	27¾	27¾	27¾	
20⅜	12⅛	AdvSys	1.45t	9.4	14	121	15⅝	15½	15½	
32⅞	12⅞	AMD				2292	16⅛	15⅜	15¾	
12⅜	5¼	Adobe				30	6⅛	6⅞	6⅛	
18⅜	13¾	Adob pf	1.84	11.		9	16⅝	16⅜	16⅝	+⅛
20¼	16⅝	Adob pf	2.40	14.		18	17¾	17¾	17¾	
18⅜	10	Advest	.12a	.9	10	35	13⅞	13⅝	13⅝	−⅛
66¼	49⅞	AetnLf	2.64	4.6	9	5471	57⅞	57⅛	57⅞	+⅜
56⅛	51½	AetL pf	3.94e	7.5		230	52⅞	52¾	52¾	
29¾	13	Ahmns	.48	2.3	6	2945	20¼	19⅞	20	+⅛
5¾	2¾	Aileen			45	182	3¼	3⅛	3⅛	
41⅝	29⅛	AirPrd s	.80	2.2	456	3724	36¾	36¼	36½	+⅛
32	18	AirbFrt	.60	2.1	20	158	29¼	27⅞	29¼	+¼
20⅝	18¾	Airlee n				65	18⅞	d18½	18⅝	−⅛
2	¼	AlMoan	.60c			21	13-32	⅜	13-32	+1-32
[illegible]										

Continued on Page 39

NYSE COMPOSITE CLOSING PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19¼	12⅝	PhilSb s .94		5.1	15	61	18½	18¼	18⅛	8.5
116⅝	79	SwBell 6.40		5.8	11	1599	111⅞	110¾	111¼	−⅛
23	16¼	SwEnr .52		2.8	11	24	18⅝	18⅜	18⅜	−⅝
37⅞	24½	SwPS 2.12		6.3	12	457	33¾	33½	33⅝	+⅛
20¼	14	Sparton .52		2.8	14	50	18¾	18½	18¾	
⅛	19⅝	SpectP			183	156	20¼	19¾	20⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

WE REGRET New York closing prices are incomplete in this edition because of communication problems.

AMEX COMPOSITE CLOSING PRICES

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng
ACHId			71	14⅝	14¼	14⅝	
ACIpf	1.20		497	14	13¾	14	+ ¼
AMIntl		106	3237	6⅝	6⅛	6⅝	+ ½
AcmePr.04e		1	52	3⅞	3¾	3¾	
Acton			32	1¾	1⅝	1⅝	
AdRusl .16b		78	117	20¾	20⅝	20⅝	− ⅛
AfilPbs	.44	53	200	69	67½	69	− ½
AlbaW			7	7¾	7⅝	7⅝	− ¼
Alphaln			64	8¾	8⅝	8¾	+ ⅜
Alzas		41	863	20¼	19⅝	20¼	+ ¼
Amdahl	.20	41	265	21⅞	21¾	21⅞	
Alsrael .30e		6	3	17	17	17	− ⅛
AMzaA	.52	76	329	22¼	22	22	− ¼
AMBld			163	2¾	2⅝	2⅝	− ⅛
APetf			8	44½	44¼	44½	− ½
APrecs	.16	69	79	11⅝	11½	11⅝	+ ⅛
AmRoyl.71j		3	110	5⅝	5¼	5⅝	
AScIE		105	40	5⅜	5¼	5¼	− ⅛
Ampal	.05	8	76	1⅞	1¾	1⅞	+ ⅛
Andal		16	21	12⅛	11⅝	11⅝	− ½
AndJob			78	1⅜	d 1⅜	1⅜	− ⅛
Arzam			10	3⅜	3⅜	3⅜	
Arundt		7	3	22	22	22	
Asmrg	.20	117	429	7	6⅞	7	
Astrotc			272	1⅛	1	1	
Atarin			494	13½	12⅞	13½	+ ⅛
AtlsCM			281	1⅛	1	1	
Atlaswt			2	3⅞	3¾	3⅞	
B B							
BAT	.21e		1068	6 9-16	6 7-16	6 9-16	+3-16
Banstrg			8	6	6	6	− ⅛
BaryRG		13	28	8¾	8⅝	8⅝	− ¼
BergBr.32b		14	262	21	20¾	20⅞	
BicCp	.48	14	14	29⅞	29⅝	29⅝	
BigV	.44	11	69	11½	11⅜	11⅜	− ¼

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Pre-holiday nervousness evaporates

LATE GAINS after the market had succumbed to profit-taking earlier in the day pushed the Dow Jones industrial average again into positive territory and the market closed up 4.64 at 1,916.76, *writes David Owen in New York.*

This was its sixth consecutive advance *and left the market within three points* of its September 4 record high.

Bond prices edged ahead after the market had difficulty interpreting the latest trade deficit figures. As in the stock market, the bond market saw investors square their positions before today's Thanksgiving Day holiday.

Among blue chips American Express *closed unchanged at $57½, as did Du* Pont at $89¼ and General Electric at $83¾.

General Motors was down $¾ to $73, and Sears Roebuck was up ¼ at $43¼.

On the takeover front Chesebrough-Pond's leapt $12½ to $61¾ on volume of 7.8m shares following the bid announced after the market had closed on Tuesday *from American Brands at $66 a share.* American Brands gained $1¾ to $46.

Colgate-Palmolive advanced $4¾ to $45 in what traders described as a reaction to the bid for Chesebrough. The companies compete in many markets.

Borg Warner gained $1⅞ to $39 on heavy trading. Late on Tuesday it received a takeover offer from Minstar of between $43 and $48 a share. Minstar, the main corporate vehicle of Mr Irwin Jacobs, rose $1 to $24.

GAF, headed by a competing corporate raider, Mr Samuel Heyman, said it did not consider Minstar's approach a serious offer. GAF, up $⅛ to $40¼, said it was the largest individual Borg Warner shareholder.

Carter Hawley Hale, the stores group, rose $¾ to $51¼. General Cinema, up $½ *to $47⅜, said it did not support the bid* for Carter at $55 a share by a partnership of The Limited and Edward Debartolo. General Cinema has a block of Carter preferred shares convertible into 38.6 per cent of Carter's common shares.

Mohawk Data Sciences, a manufacturer of electronic data processing equipment, was unchanged at $2½. An investor group led by Mr Asher Edelman, a New York corporate raider, declared a 14 per cent stake in the company.

Lockheed gained $1⅞ to $55⅝ as rumours resurfaced that it was a takeover target of Ford Motor, which fell $¾ to $58¾.

Aristech Chemical, the chemical and polymer producer spun off yesterday by USX, rose $⅝ to $18⅜. Some 3m shares of the initial offering of 22m shares were traded. USX, which spun off Aristech as part of its strategy to thwart a takeover attempt by Mr Carl Icahn, gained $1¼ to $21¼ on heavy trading.

LTV, a leading US steelmaker currently under the protection of the US bankruptcy courts, was unchanged at $1⅞ after reporting a third-quarter loss of $2.08bn almost entirely due to write-offs.

Union Carbide edged up $⅛ to $23⅜. An Indian court hearing the Bhopal damages case removed its temporary ban on the chemicals group paying its regularly quarterly dividend of 37½ cents a share.

Dayton-Hudson, the retail group, slipped $¼ to $44½. It announced the completion of the sale of its Daltons book shops to a unit of Barnes and Noble.

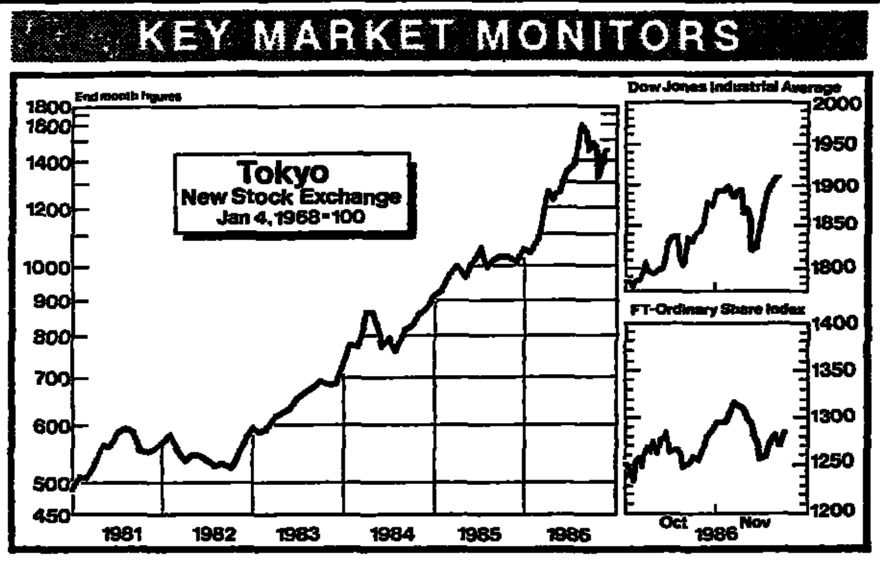
The credit markets were not sure how to interpret the figures released yesterday morning for the merchandise trade deficit. The smaller-than-expected deficit in October of $12.06bn brought an initially favourable response from bond prices, but ground was given up upon reflection of the substantial upward revision in the deficit for September.

By late afternoon, however, the 7.50 per cent benchmark Treasury long bond was ahead 13/32 of a point at 101 1/32 at which it yielded 7.41 per cent.

Three-month Treasury bills slipped two basis points to 5.38 per cent, six-month bills were unchanged at 5.41 per cent and year bills slipped two basis *points to 5.44 per cent.*

The Federal Reserve announced five-day system repurchases with analysts forecasting a total volume of about $3.5bn to $4bn. The move was believed to have been motivated by technical rather than policy considerations.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Nov 26	Previous	Year ago
DJ Industrials	1,916.76	1,912.12	1,456.77
DJ Transport	844.75	846.13	676.97
DJ Utilities	212.29	212.81	164.60
S&P Composite	248.77	247.30	200.67
LONDON			
FT Ord	1,286.3	1,270.4	1,138.9
FT-SE 100	1,633.0	1,619.3	1,431.9
FT-A All-share	812.59	806.11	695.04
FT-A 500	889.29	880.62	764.68
FT Gold mines	299.7	295.2	299.0
FT-A Long gilt	10.76	10.76	10.31
TOKYO			
Nikkei	17,727.91	17,747.50	12,783.1
Tokyo SE	1,457.09	1,457.83	1,008.27
AUSTRALIA			
All Ord.	1,363.6	1,350.8	996.4
Metals & Mins.	663.2	655.0	498.1
AUSTRIA			
Credit Aktien	233.70	233.35	241.49
BELGIUM			
Belgian SE	4,006.01	3,982.39	2,983.08
CANADA			
Toronto			
Metals & Mins	2,082.4	2,089.40	1,908.00
Composite	3,025.1	3,024.90	2,811.5
Montreal			
Portfolio	1,533.74	1,535.16	136.36
DENMARK			
SE	–	190.33	219.78
FRANCE			
CAC Gen	393.20	392.90	247.9
Ind. Tendance	155.30	154.50	92.6
WEST GERMANY			
FAZ-Aktien	681.55	683.09	598.74
Commerzbank	2,057.40	2,065.50	1,763.5
HONG KONG			
Hang Seng	2,377.71	2,361.12	1,738.35
ITALY			
Banca Comm.	–	718.35	431.49
NETHERLANDS			
ANP-CBS Gen	283.30	284.80	238.0
ANP-CBS Ind	283.70	285.00	212.8
NORWAY			
Oslo SE	378.23	382.27	402.86
SINGAPORE			
Straits Times	882.68	888.26	717.60
SOUTH AFRICA			
JSE Golds	–	1,790.0	1,248.9
JSE Industrials	–	1,386.0	1,049.2
SPAIN			
Madrid SE	189.46	185.68	99.48
SWEDEN			
J&P	2,514.19	2,500.24	1,593.75
SWITZERLAND			
Swiss Bank Ind	583.70	586.20	534.5
WORLD	Nov 25	Previous	Year ago
MS Capital Int'l	345.6	343.2	244.5

COMMODITIES

(London)	Nov 25	Prev
Silver (spot fixing)	369.50p	370.25p
Copper (cash)	£916.75	£917.00
Coffee (Nov)	£2,102.00	£2,112.50
Oil (Brent blend)	$14.475	$14.325

GOLD (per ounce)

	Nov 26	Prev
London	$382.25	$384.75
Zürich	$383.75	$384.05
Paris (fixing)	$381.02	$380.80
Luxembourg	$384.50	$390.00
New York (Dec)	$383.1	$385.60

CURRENCIES

	US DOLLAR		STERLING	
(London)	Nov 26	Previous	Nov 26	Previous
$	–	–	1.4320	1.4225
DM	1.9895	1.9935	2.8475	2.835
Yen	162.95	162.50	233.25	231.00
FFr	6.52	6.5275	9.3375	9.285
SFr	1.6585	1.6585	2.375	2.36
Guilder	2.2490	2.2510	3.22	3.2025
Lira	1,378.375	1,378.75	1,974	1,970
BFr	41.35	41.45	59.20	59.00
C$	1.3855	1.3855	1.9820	1.9725

INTEREST RATES

Euro-currencies (3-month offered rate)	Nov 26	Prev
£	11⅛	11⅛
SFr	4	4
DM	4 9/16	4⅝
FFr	8 3/16	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6⅛	6⅛
6-month US$	6 3/16	6 3/16
US Fed Funds	5 13/16*	5⅞
US 3-month CDs	5.75*	5.925
US 3-month T-bills	5.36*	5.53

US BONDS

Treasury	November 26* Price	Yield	Prev Price	Yield
6⅜ 1988	100 5/32	6.20	100 5/32	6.23
7¼ 1993	100 9/32	6.97	101 3/32	6.98
7¼ 1996	100 29/32	7.15	101 1/32	7.15
7¼ 2016	100 9/32	7.43	101 1/32	7.43

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index	Day's change	Yield	Day's change
1–30	159.72	+0.11	6.89	–0.01
1–10	152.03	+0.08	6.58	–0.01
1– 3	141.96	+0.04	6.21	–0.01
3– 5	154.98	+0.08	6.68	–0.01
15–30	167.28	+0.16	7.91	–0.01

Source: Merrill Lynch

Corporate	November 25* Price	Yield	Prev Price	Yield
AT & T				
3⅛ July 1990	92.04	6.40	92.275	6.32
SCBT South Central				
10⅞ Jan 1993	106.447	9.49	106.844	9.45
Phibro-Sal				
8 April 1996	98.875	8.17	99	8.141
TRW				
8⅜ March 1996	102.875	8.297	103	8.261
Arco				
9⅞ March 2016	108.625	9.03	108.875	9.007
General Motors				
8⅛ April 2016	92	8.896	92.625	8.831
Citicorp				
9⅜ March 2016	99	9.473	99.50	9.423

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	99-17	99-23	98-31	99-13
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.72	94.73	94.70	94.72
Certificates of Deposit (IMM) $1m points of 100%				
Dec	–	–	–	–
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	94.02	94.03	94.00	94.07
20-year Notional Gilt £50,000 32nds of 100%				
Dec	107-09	107-10	106-23	107-02

* *Latest available figures*

HONG KONG

NEW PEAKS were reached in Hong Kong for the second consecutive session on the back of late buying by foreign institutions.

The session opened marginally down on the previous day, but hopes of an improvement in the property market encouraged demand from mainly the US and Japan. *The Hang Seng index added* 16.59 to close at a record 2,377.71.

Property shares benefited from the upward trend. Hongkong and Kowloon Wharf was 25 cents higher at HK$8.90, SHK added 20 cents to HK$18.00 and New World Developments rose 25 cents to HK$9.70. Jardine Matheson rose 60 cents to HK$22.20 on rumours that its associate Hongkong Land would spin off its hotel group. Hongkong Land was down 5 cents at HK$6.35.

LONDON

GOOD GAINS by blue chips on the back of portfolio switching by some large institutional investors took London sharply *higher. The FT-SE 100 index added* 13.7 to 1,633.0; and the FT Ordinary index closed 15.9 higher at 1,286.3.

Active trading saw Boots rise 6p to 232p, British Telecom 4p to 198p and Hawker Siddeley 17p to 435p.

Courtaulds, on higher first-half profits, added 8p to 325p while BTR gained 2p to 280p. BTR is bidding for glass-maker Pilkington, which rose 1p to 607p.

Government bonds opened weak but edged forward later as the sterling exchange-rate index moved above 68.

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AUSTRALIA

FIRM bullion prices and Wall Street's overnight strength underpinned Sydney, and the All Ordinaries index closed *12.4 higher at 1,363.1.*

Government plans to broaden television ownership boosted media shares, including News Corp which added A$1.10 to A$16.20 and Herald and Weekly Times, up 40 cents to A$8.10.

Golds and minings generally saw healthy gains, including Gold Mines of Kalgoorlie, up 40 cents to A$14.20, Renison, 20 cents to A$8.60, Poseidon, 24 cents to A$5.80, and CSR, 5 cents to A$2.93.

CANADA

FALLS among oils and some metals took Toronto marginally lower in active trading.

In the oil sector Texaco Canada traded C$⅝ down to C$30⅛, and Imperial Oil Class A lost C$⅛ to C$46⅞.

Among metal miners Falconbridge traded C$¼ lower to C$17⅞, and Denison Class B was also C$¼ down at C$6¼.

Golds went against the trend, with Lac Minerals trading C$⅝ up to C$28⅞.

Montreal was generally higher although some weakening was seen among banks.

SINGAPORE

AN ABSENCE of fresh factors kept many investors away from the market in Singapore, which continued to trade uncertainly amid worries over problems at the National Bank of Brunei.

The Straits Times industrial index fell 5.58 to close at 882.68 with small but widespread falls seen in most sectors.

Active trading saw DBS slip 10 cents to S$8.90, and Malayan Banking was 19 cents down at S$4.96.

SOUTH AFRICA

GOLDS continued to advance in Johannesburg in response to the firmer bullion price and the weaker financial rand. Driefontein added R3.20 to R71 and Anglo American Gold R9 at R330.

Other minings were also higher, including Rustenburg Platinum, up R2.25 to R44.50, and diamond share De Beers, R1.35 higher at R35.

Barclays Bank also continued to rise adding R1.50 to R91.50.

TOKYO

Lower yen depresses blue chips

SHARE PRICES closed lower for the first time in seven trading days, hit by institutional investors' small-lot selling of electric power and gas issues in particular, *writes Shigeo Nishiwaki of Jiji Press.*

Another adverse factor was the yen's renewed surge against the dollar, which depressed blue chips.

But volume increased substantially as securities house dealer sections entered the market aggressively following the start of trading for delivery in December.

The Nikkei market average of 225 select issues, which had gained 539 points in the previous six trading days, ended at 17,727.91, down 19.59 from the day before. Volume totalled 639m shares compared with 359m on Tuesday. Declines outnumbered advances by 457 to 396, with 117 issues unchanged.

On the trading floor, blue chips, notably electricals, declined almost across the board. Fujitsu shed Y20 to Y1,110, Toshiba Y22 to Y615, NEC Y30 to Y2,000, Fuji Photo Film Y30 to Y3,240 and Canon Y60 to Y1,070.

Housing-related issues, which had led the recent bullish market along with blue chips, came under heavy selling pressure.

Daiwa House fell Y20 to Y1,850, Sekisui House Y40 to Y1,660 and National House Industrial Y20 to Y1,430.

Conversely, some assets-heavy stocks were popular purchases. Oji Paper topped the active list with 49.22m shares changing hands. The issue gained Y16 to Y800 at one stage but came under selling pressure later to close Y5 higher to Y789.

Buying interest revived in Japan Steel Works, which had been sold since the beginning of this week. The issue, the second most active stock with 49.13m shares, leapt Y49 to Y404. Sumitomo Heavy Industries advanced Y18 to Y270.

Ebara, the third busiest issue with 23.26m shares traded, jumped Y12 to Y860.

Investors also sought very high-priced stocks to earn short-term capital gains. Kokusai Denshin Denwa (KDD) soared Y1,500 *to Y35,300, Nintendo Y1,000 to* Y3,500, Nippon Television Network Y700 to Y12,800 and SECOM Y240 to Y9,390.

Large-capital stocks fared badly, with Tokyo Electric Power losing Y150 to Y7,410, Tokyo Gas Y35 to Y945 and Ishikawajima-Harima Heavy Industries Y3 to Y392.

On the bond market, buying increased gradually, sending bond prices moderately higher. The yield on the 5.1 per cent government bond due in June 1996, which is considered a possible candidate to replace the 6.2 per cent bond as the benchmark issue, declined to 5.520 per cent from the previous day's 5.535 per cent. The yield on the 6.2 per cent bond, maturing in July 1995, fell to 5.135 per cent from 5.160 per cent. But its trading *volume was extremely thin.*

On the issue terms for 10-year government bonds to be issued in December, the Finance Ministry sounded out the bond underwriting syndicate on its plan to keep the issue price unchanged at 99 per cent of par and lower the coupon rate by 0.1 per cent to 5.3 per cent. This was good news for dealers, who had been worried that the coupon rate might be cut by 0.2 per cent to 5.2 per cent.

EUROPE

Foreigners dampen enthusiasm

SUSTAINED profit-taking by overseas investors and the weaker dollar dampened enthusiasm on the European bourses yesterday.

Frankfurt kept a close watch on the path of the dollar which lost more ground at its mid-day fixing of DM 1.9881. Early strength, engendered by Commerzbank's results, evaporated, and blue chips followed the direction of the dollar. The Commerzbank index was set 8.1 lower at 2,057.4.

Banks finished firmer but off their highs for the day. Commerzbank and Deutsche Bank both gained DM 3 to DM 323 and DM 841, respectively, while Dresdner rose DM 3.50 to DM 422.

A broadly weaker car sector saw *Daimler move against the trend with a* DM 2 advance to DM 1.330 as VW closed DM 1.40 lower at DM 439.50.

Chemicals continued mixed under the cloud of recent pollution incidents in the Rhine. Bayer rose DM 3.50 higher to DM 306.50, however, on the strength of its 4.2 per cent gain in nine-month profits while BASF, due to report later in the week, edged down 80 pfg to DM 270.70. Hoechst at DM 257.90 was 10 pfg down.

The bond market turned quiet ahead of the release of US trade data for October. Longs dropped on average by up to 20 basis points although isolated losses of 50 basis points were sustained. The Bundesbank bought DM 21m worth of paper after selling DM 74.7m on Tuesday. The average yield on public authority paper was unchanged at 5.94 per cent.

Amsterdam turned lower as foreign, *particularly US, investors pulled out of* the market ahead of today's Thanksgiving Day holiday in the US.

The slide of the dollar against the guilder also inhibited activity, but many international, dollar-revenue issues resisted the pressure and gained ground. Royal Dutch firmed 50 cents to Fl 206.50, Unilever jumped Fl 3.50 to Fl 505, KLM edged 20 cents higher to Fl 48.80 and Philips held steady at Fl 48.80.

Industrial machinery and refrigeration group Grasso plunged Fl 30 to Fl 180 on its announcement that its results this year would be substantially lower than 1985.

VNU rose Fl 5 to Fl 336 amid plans to buy a US publishing group for Fl 100m.

Trading in mortgage bank FGH remained suspended pending an announcement due tomorrow.

Zurich recovered from a weak opening but was held in check by the weaker dollar and foreign profit-taking.

Jacobs-Suchard retreated SFr 75 to SFr 8,700 after its plans to buy the US chocolate and confectionery group E. J. Brache. Nestlé dipped SFr 50 to SFr 9,575.

Hoffmann-La Roche "Baby" continued to give up ground after the chemical group's recent pollution *incident.* It slipped SFr 25 to SFr 11,900.

Paris finished mixed after a moderately active session disrupted by the evacuation of the exchange after a bomb threat. Wall Street's firmer overnight tone and hopes that the French Government may soon ease regulations over managed investment funds spurred buying which offset early profit-taking.

Penarroya dropped FFr 2.30 to FFr 47.60 after Tuesday's jump.

Food and food-related issues were mixed, with Perrier up FFr 2 to FFr 840, BSN down FFr 5 to FFr 4,290 and Carrefour FFr 12 ahead at FFr 3,677.

CIT-Alcatel lost FFr 15 to FFr 2,180 ahead of plans to increase its stake in a US communications group.

Stockholm staged a small recovery while **Brussels** posted a modest gain in light trading.

Milan eased in quiet technical trading while **Oslo** retreated under the impact of the weakening Norwegian currency.

Spain's falling interest rates and strengthening economy are *luring* increasing numbers of foreign investors to the Madrid bourse.

The first 10 months this year saw foreign investment reach a total of $3bn, compared with $740m for the whole of last year. Banks proved the most popular shares followed by Telefonica and electrical utilities.

Biggest investors came from the UK, with $1bn, and West Germany, with $845m. Both were net buyers of shares. The Madrid Stock Exchange index has risen about 72 per cent this year.